This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 28, 2026

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: Moody's: Aa2
S&P: AA-
Fitch: AA
(See "RATINGS")

In the opinion of Bond Counsel to the State of California, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. See "TAX MATTERS."

$1,800,000,000*
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

$900,000,000*
VARIOUS PURPOSE
GENERAL OBLIGATION BONDS

$900,000,000*
VARIOUS PURPOSE
GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery

Due: See "SUMMARY OF THE OFFERING"

The State of California (the "State") is issuing $900,000,000* Various Purpose General Obligation Bonds (the "Construction Bonds") and $900,000,000* Various Purpose General Obligation Refunding Bonds (the "Refunding Bonds" and, together with the Construction Bonds, the "Bonds"), all bearing interest at fixed rates.

The Bonds are general obligations of the State to which the full faith and credit of the State is pledged. The principal of and interest on all State general obligation bonds, including the Bonds, are payable from any moneys in the General Fund of the State, subject under State law only to the prior application of such moneys to the support of the public school system and public institutions of higher education. See "AUTHORIZATION OF AND SECURITY FOR THE BONDS."

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2027, at the respective rates per annum set forth in the "SUMMARY OF THE OFFERING" immediately following this cover page. Beneficial interests in the Bonds may be purchased in principal amounts of $5,000 or any integral multiple thereof in book-entry form only. See "THE BONDS—General" and APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

Certain of the Bonds are subject to redemption prior to their respective stated maturity dates as described herein. See "THE BONDS—Redemption."

This cover page contains certain information for general reference only. It is not a summary of the security or terms of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, PRICES OR YIELDS AND CUSIPS
(See "SUMMARY OF THE OFFERING")

The Bonds are offered when, as and if issued by the State and received by the Underwriters, subject to the approval of validity by the Honorable Rob Bonta, Attorney General of the State of California, and by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State. Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP are serving as Co-Disclosure Counsel to the State with respect to the Bonds. Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth LLP are serving as Co-Disclosure Counsel to the State regarding Appendix A. Certain matters will be passed upon for the Underwriters by their counsel, Katten Muchin Roseman LLP. Public Resources Advisory Group is serving as the Municipal Advisor to the State with respect to the Bonds. The Bonds are expected to be available for delivery through the facilities of The Depository Trust Company on or about October 15, 2026.

HONORABLE FIONA MA
Treasurer of the State of California

BofA Securities
(Joint Senior Manager)

Barclays
(Joint Senior Manager)

Academy Securities
(Co-Senior Manager)

Oppenheimer & Co. Inc.
(Co-Senior Manager)

American Veterans Group, PBC
Cabrera Capital Markets LLC
Goldman Sachs & Co. LLC
J.P. Morgan
Mischler Financial Group, Inc.
Ramirez & Co., Inc.
Siebert Williams Shank

Baird
D.A. Davidson & Co.
Great Pacific Securities
Jefferies
Morgan Stanley
Raymond James
Stifel
Wells Fargo Corporate & Investment Banking

Blaylock Van, LLC
Fidelity Capital Markets
HilltopSecurities
Loop Capital Markets
R. Seelaus & Co., LLC
RBC Capital Markets
TD Financial Products

Official Statement Dated: October __, 2026

* Preliminary, subject to change.

SUMMARY OF THE OFFERING

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS[†]

$900,000,000[*]
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION BONDS

Base CUSIP[†]:

Maturity Date (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP[†] Suffix

$_____-___% Term Bonds due August 1, 20__, priced to yield ____%, CUSIP[†] Suffix:____

[*] Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

$900,000,000[*]
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS

Base CUSIP[†]:

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP[†] Suffix

$_____-___% Term Bonds due August 1, 20__, priced to yield ____%, CUSIP[†] Suffix:____

[*] Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the State or the Underwriters to give any information or to make any representations with respect to the State or the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from sources that are believed to be reliable. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire contents of the summarized documents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with, and may be obtained from, the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org. The information contained on such website is not part of this Official Statement and is not incorporated herein.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

UNDER SOME CIRCUMSTANCES, THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THE "SUMMARY OF THE OFFERING" IMMEDIATELY FOLLOWING THE FRONT COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, AND THE FOREGOING AUTHORITIES HAVE NEITHER REVIEWED NOR CONFIRMED THE ACCURACY OF THIS DOCUMENT.

A wide variety of other information concerning the State, including financial information, is available from State agencies, State agency publications and State agency websites. Such information includes websites operated by the State Department of Finance, the State Controller's Office and the State Treasurer's Office. None of such websites or information, nor any website

mentioned in this Official Statement, is part of this Official Statement or incorporated by reference into this Official Statement, whether or not the address for such website appears as an active hyperlink. No website mentioned in this Official Statement is intended to be an active hyperlink. Readers should not rely upon information other than that provided in this Official Statement, including information presented on any such website, in determining whether to purchase the Bonds.

This Preliminary Official Statement is available as public information on the State Treasurer's investor relations website at http://www.buycaliforniabonds.com.

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OFFICIAL STATEMENT

$1,800,000,000*
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

$900,000,000*
VARIOUS PURPOSE
GENERAL OBLIGATION BONDS

$900,000,000*
VARIOUS PURPOSE
GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

This Introduction contains only a brief summary of the terms of the above-captioned Bonds and a brief description of this Official Statement. A full review should be made of the entire Official Statement, including the Appendices. Summaries of provisions of the Constitution and laws of the State of California (the "State") or any other documents referred to in this Official Statement do not purport to be complete and such summaries are qualified in their entirety by references to the complete provisions.

Description of the Bonds

This Official Statement describes $1,800,000,000* aggregate principal amount of (i) various purpose general obligation bonds to be issued by the State in the aggregate principal amount of $900,000,000* (the "Construction Bonds") and (ii) various purpose general obligation refunding bonds to be issued by the State in the aggregate principal amount of $900,000,000* (the "Refunding Bonds" and, together with the Construction Bonds, the "Bonds"). The Bonds are described further below under "THE BONDS." The Bonds will be registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Beneficial interests in the Bonds may be purchased in book-entry form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS—General" and APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

The issuance of each series of Bonds is authorized by the related general obligation bond act identified in Exhibit 1 to this Official Statement ("Exhibit 1") (each a "Bond Act," and collectively, the "Bond Acts") approved by the voters of the State and by a resolution of the applicable finance committee designated under such Bond Act (each, a "Resolution," and collectively, the "Resolutions").

Plan of Finance

Proceeds of the Construction Bonds will be used to: (i) fund projects under certain of the Bond Acts identified in Exhibit 1, (ii) pay certain of the State's outstanding general obligation commercial paper notes ("CP Notes") that were initially issued to finance projects under certain

* Preliminary, subject to change.

of the Bond Acts identified in Exhibit 1 as they mature, and (iii) pay certain costs of issuance of the Construction Bonds.

Proceeds of the Refunding Bonds will be used to: (i) refund certain of the State's outstanding general obligation bonds for debt service savings and (ii) pay certain costs of issuance of the Refunding Bonds. See "THE BONDS—Plan of Refunding."

Potential Upcoming General Obligation Bond Sale

The State has no current plans to sell additional general obligation bonds before December 1, 2026. However, the State may, at its discretion and without notice, determine to sell additional general obligation bonds prior to December 1, 2026. The occurrence of any such sale, as well as the timing and principal amount of any such sale, and the use of any proceeds thereof to refund outstanding general obligation bonds, are all subject to legal, market and other factors.

Security and Source of Payment for the Bonds

The principal of and interest on all State general obligation bonds, including the Bonds, are payable from any moneys in the General Fund of the State Treasury (the "General Fund"), subject under State law only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. On any debt service payment date, all general obligation bonds, including the Bonds, have an equal claim on moneys then in the General Fund for payment of debt service. See "AUTHORIZATION OF AND SECURITY FOR THE BONDS—Security." Also see APPENDIX A—"THE STATE OF CALIFORNIA—STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—The General Fund" and "—STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*General Obligation Bonds*."

Redemption of Bonds

Certain of the Bonds are subject to redemption prior to their respective stated maturity dates as described herein. See "THE BONDS—Redemption."

Information Concerning the State General Fund

Certain information about the financial condition of the General Fund, and other information concerning the State, is provided in APPENDIX A—"THE STATE OF CALIFORNIA." Investors should review the entire Appendix A.

Information Related to this Official Statement

The information set forth herein has been obtained from official sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder or any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

All financial and other information presented or incorporated by reference in this Official Statement has been provided by the State from its records, except for information expressly attributed to other sources. The presentation of historic information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the State, that may cause actual results, performance or achievements attained to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any statements made in this Official Statement involving matters of opinion, whether expressly stated or not, are set forth as such and not as representations of fact.

A wide variety of other information concerning the State, including financial information, is available from State agencies, State agency publications and State agency websites. Such information includes websites operated by the State Department of Finance, the State Controller's Office and the State Treasurer's Office. None of such websites or information, nor any website mentioned in this Official Statement, is part of this Official Statement or incorporated by reference into this Official Statement, whether or not the address for such website appears as an active hyperlink. No website mentioned in this Official Statement is intended to be an active hyperlink. Readers should not rely upon information other than that provided in this Official Statement, including information presented on any such website, in determining whether to purchase the Bonds.

The information in APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM" regarding DTC and its book-entry system has been furnished by DTC and no representation is made by the State or the Underwriters as to the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction.

AUTHORIZATION OF AND SECURITY FOR THE BONDS

Authorization

The issuance of each series of Bonds is authorized by the related Bond Act identified in Exhibit 1 approved by the voters of the State and by the related Resolution. Each Bond Act incorporates by reference the State General Obligation Bond Law (the "Law") in Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the California Government Code. Each Bond Act, as it has incorporated the Law, provides for the authorization, sale, issuance, use of proceeds, repayment and refunding of the related series of Bonds.

Security

The Bonds are general obligations of the State, and each series of the Bonds is payable in accordance with the applicable Bond Act and Resolution out of the General Fund, subject under State law only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. See APPENDIX A—"THE STATE OF CALIFORNIA—OVERVIEW—General Fund Revenues, Expenditures, and Cash Management" and "—CASH MANAGEMENT—Traditional Cash Management Tools—*External Borrowing*." Each Bond Act provides that the State will collect annually in the same manner and at the same time as it collects other State revenue an amount sufficient to pay principal of and interest on the related series of Bonds in that year. Each Bond Act also contains a continuing appropriation from the General Fund of the sum annually necessary to pay the principal of and interest on the related series of Bonds as they become due and payable. No further appropriation by the Legislature is required to pay the principal of and interest on the Bonds. Under the State Constitution, the appropriation to pay the principal of and interest on the Bonds as set forth in the Bond Acts cannot be repealed until the principal of and interest on the related Bonds are paid and discharged.

Each Bond Act provides that the bonds issued thereunder shall be and shall constitute a valid and binding obligation of the State, and the full faith and credit of the State is pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable. The pledge of the full faith and credit of the State alone does not create a lien on any particular moneys in the General Fund or any other assets of the State, but is an undertaking by the State to be irrevocably obligated in good faith to use its taxing powers as may be required for the full and prompt payment of the principal of and interest on all general obligation bonds as they become due. The only provision of the State Constitution that creates a higher priority for any State fiscal obligation is a provision directing that from all State revenues there will first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. In the past when cash resources in the General Fund have been constrained, State officials have worked within their powers granted by State law to manage cash resources to ensure that payments to public schools and universities and for general obligation debt service would be made. On any debt service payment date, all general obligation bonds have an equal claim on moneys then in the General Fund for payment of debt service. See APPENDIX A—"THE STATE OF CALIFORNIA—CASH MANAGEMENT" and "—STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*General Obligation Bonds*."

The Bonds are general obligations of the State, and holders of the Bonds do not assume any specific project risk related to any of the projects to be financed or refinanced.

Remedies

Under each Resolution, it is an event of default of the State to fail to pay or cause to be paid, when due, principal of or interest or premium on any Bond issued pursuant thereto or to declare a moratorium on the payment of, or to repudiate, any such Bond.

The Resolutions do not contain any provision providing for the acceleration of the Bonds. Each Resolution states that in the case that one or more events of default occurs, then, and in every

such case, the holder of any obligation issued thereunder, including any registered Bondholder, is entitled to proceed to protect and enforce such holder's rights by such appropriate judicial proceeding as such holder deems most effectual to protect and enforce any such right, whether by mandamus or other suit or proceeding at law or in equity, for the specific performance of any covenant or agreement contained therein, or in aid of the exercise of any power granted therein, or to enforce any other legal or equitable right vested in the holders by the Resolution or the Bonds or by law. Pursuant to DTC's operating procedures, beneficial owners of the Bonds (the "Beneficial Owners") cannot protect and enforce such rights except through the registered Bondholder. See "THE BONDS—General" and APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

Since the State has never failed to make a debt service payment on any general obligation bond when due, the exact steps that would be taken, or the remedies available to Bondholders, have never been tested. There are no cross-default provisions among general obligation bonds, so any default with respect to any particular issue of bonds would not provide any remedy to holders of other bonds that are not affected. The State is not eligible to file for protection under the federal bankruptcy laws.

THE BONDS

General

The Bonds will be registered in the name of a nominee of DTC, which will act as securities depository for the Bonds. Beneficial interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 or any integral multiple thereof.

The Bonds will be dated and accrue interest from the date of their delivery, and will mature on the dates and in the amounts set forth in the "SUMMARY OF THE OFFERING" immediately following the front cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on the Bonds is payable on February 1 and August 1 in each year, commencing on February 1, 2027, at the rates shown in the "SUMMARY OF THE OFFERING" immediately following the front cover page hereof to the owner as of the record date. The record date for the payment of interest on the Bonds is the close of business on the 15th day of the month immediately preceding an interest payment date, whether or not the record date falls on a Business Day. If any payment on the Bonds is due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and no interest will accrue as a result. "Business Day" means any day other than a Saturday, a Sunday, a State holiday or any other day determined not to constitute a Business Day pursuant to the book-entry only system of DTC. Certain State holidays may fall on days that are not banking holidays and can vary from year to year.

Principal and interest (including the redemption price, if any) is payable by the State Treasurer directly to DTC on behalf of the State. Upon receipt of payments of principal and interest, DTC is to in turn remit such principal and interest to the Direct Participants (as defined in Appendix B) in DTC for disbursement by the Direct Participants or Indirect Participants (as defined in Appendix B) (collectively, "Participants") to the Beneficial Owners of the Bonds, all in accordance with DTC's procedures.

Neither the State Treasurer nor the Underwriters can give any assurance that DTC will distribute to Direct Participants, or that Participants or others will distribute to the Beneficial Owners, payment of principal of and interest on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the State Treasurer nor the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payments or to give any notice to a Beneficial Owner with respect to the Bonds or for any error or delay relating thereto. See APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

The information in APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM" regarding DTC and its book-entry system has been furnished by DTC. No representation is made by the State or the Underwriters as to the accuracy or completeness of such information.

Except as otherwise expressly set forth herein, the terms of each series of Bonds are substantially identical. The State may assign each maturity of the Bonds reflected in the "SUMMARY OF THE OFFERING" to one or more Bond Acts, rather than having all of the Bonds mature proportionally by Bond Act across the entire maturity schedule.

Proceeds of the Bonds may not be borrowed for cash flow management or other budgetary purposes.

Identification, Authorization and Purposes of the Bonds

Construction Bonds. The Construction Bonds are being issued to: (i) fund projects under certain of the Bond Acts identified in Exhibit 1, (ii) pay certain CP Notes that were initially issued to finance projects under certain of the Bond Acts identified in Exhibit 1 as they mature, and (iii) pay certain costs of issuance of the Construction Bonds. The CP Notes to be repaid with the proceeds of the Construction Bonds will be repaid within 90 days after the issuance of the Construction Bonds. The Construction Bonds are being issued as separate series under separate Bond Acts, each authorized by the voters, as set forth in Exhibit 1. Proceeds of the Construction Bonds will be used to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described in Exhibit 1.

Refunding Bonds. The Refunding Bonds are being issued to (i) refund certain of the State's outstanding general obligation bonds for debt service savings and (ii) pay certain costs of issuance of the Refunding Bonds. The Refunding Bonds are being issued as separate series under separate Bond Acts, each authorized by the voters, as set forth in Exhibit 1. Proceeds of the Refunding Bonds will be used to refund certain of the State's outstanding general obligation bonds (the "Refunded Bonds") that were issued to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described in Exhibit 1.

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Plan of Refunding*

The State will deposit a portion of the net proceeds of the sale of the Refunding Bonds in the amount of $_____ into one or more separate accounts (the "Refunding Escrow Account") within the refunding escrow fund of the State Treasury established pursuant to Section 16784 of the California Government Code (the "Refunding Escrow Fund") to refund the Refunded Bonds in an aggregate principal amount of $_____, to pay interest on the Refunded Bonds when due, and to redeem the Refunded Bonds on their respective redemption dates set forth in Exhibit 2 to this Official Statement ("Exhibit 2"). Amounts held in the Refunding Escrow Account will be invested in United States Treasury Securities, the State Surplus Money Investment Fund, which is a portion of the State's Pooled Money Investment Account, described in APPENDIX A—"THE STATE OF CALIFORNIA—INVESTMENT OF STATE FUNDS," or other permitted investments, or held as cash. See "VERIFICATION."

Proceeds of the Refunding Bonds deposited in the Refunding Escrow Account will be irrevocably dedicated to pay the interest on the Refunded Bonds when due, and the principal of, premium, if any, and interest on the Refunded Bonds on their respective redemption dates and may only be used for payment of debt service on the Refunded Bonds. Any proceeds of the Refunding Bonds in excess of the amount necessary to pay the Refunded Bonds may be used for certain expenses associated with the issuance of the Refunding Bonds, and for other purposes permitted under Section 16782 of the California Government Code.

Exhibit 2 details the principal amounts, maturity dates, interest rates, expected redemption dates and redemption prices of the bonds that may be refunded.

Following delivery of the Refunding Bonds, the State Treasurer intends to request that CUSIP Global Services provide separate CUSIP numbers for any Refunded Bond maturities which are partially refunded, and to ask DTC to allocate those maturities between refunded and non-refunded bonds, if applicable, in accordance with DTC's operational arrangements (see Exhibit 2). DTC, in turn, is to then notify its Direct Participants of the resulting status of such bonds. See APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

Redemption

*Optional Redemption.** The Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 20__ are subject to optional redemption prior to their respective stated maturity dates, in whole or in part, in such order of maturity as may be designated by the State Treasurer and by lot within any maturity, on any date on or after _____ 1, 20__, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

*Mandatory Sinking Fund Redemption.** The Construction Bonds maturing on August 1, 20__, are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments made by the State, at a redemption price of 100% of the

* Preliminary, subject to change.

principal amount thereof plus accrued interest to the mandatory sinking fund payment date fixed for redemption, without premium, on August 1 of the years, and in the amounts, designated below:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount Redeemed

† Maturity

The Refunding Bonds maturing on August 1, 20__, are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments made by the State, at a redemption price of 100% of the principal amount thereof plus accrued interest to the mandatory sinking fund payment date fixed for redemption, without premium, on August 1 of the years, and in the amounts, designated below:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount Redeemed

† Maturity

Adjustment of Mandatory Sinking Fund Payments Upon Partial Optional Redemption. If one or more maturities of the Bonds subject to mandatory sinking fund redemption (the "Term Bonds") are called for optional redemption in part (see "—Redemption—*Optional Redemption*" above), the remaining mandatory sinking fund installments for the Term Bonds of such series and maturity or maturities shall be adjusted as determined by the State Treasurer.

Notice of Redemption. When any of the Bonds are to be redeemed, the State Treasurer is to give notice of redemption by mail and/or mutually acceptable electronic means only to DTC (not to the Beneficial Owners of the applicable Bonds) not less than 20 or more than 60 days prior to the date fixed for redemption. DTC, in turn, is to send the notice of redemption to its Participants for distribution to the Beneficial Owners of the Bonds in accordance with its procedures. See APPENDIX B—"THE BOOK–ENTRY ONLY SYSTEM." The notice from the State Treasurer will state the date of such notice, that the applicable Bonds or a designated portion thereof (in the case of partial redemption of a Bond) are to be redeemed, the dated date of the Bonds to be redeemed, the date fixed for redemption, the maturities of the Bonds to be redeemed, the redemption price, the place of redemption, the principal amount, the CUSIP numbers (if any) of the Bonds to be redeemed and, if less than all of the Bonds are to be redeemed and no CUSIP

numbers are thereon, the distinctive certificate numbers of the Bonds to be redeemed. The notice will also state that after the date fixed for redemption no further interest will accrue on the principal of any Bonds called for redemption. Notice of redemption shall be provided to the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board ("MSRB"), currently located at http://emma.msrb.org, or any successor thereto. Notice of optional redemption may be cancelled in whole or in part by the State Treasurer upon written notice no later than five Business Days prior to the date fixed for redemption given in the same manner and to the same persons as notice of redemption.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by the State Treasurer, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date).

Amendments to Resolutions or Bonds

The State or the State Treasurer may at any time modify or amend any of the Resolutions, including any supplemental certificates thereto setting forth the terms of the Bonds, with respect to any outstanding Bonds and may amend such outstanding Bonds and the rights and obligations of the Bondholders of such outstanding Bonds and of the State, without notice to or the consent of any Bondholder, but only to make such provisions for the purpose of (i) curing any ambiguity or curing, correcting or supplementing any defective provision contained in a Resolution or (ii) complying with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), in order to satisfy the covenants of the State set forth in each Resolution relating to maintaining the tax exemption of interest on the Bonds; in each case as the applicable finance committee or the State Treasurer, respectively, may deem necessary or desirable, and which shall not adversely affect the interests of the Bondholders of the affected Bonds.

Future Refunding of the Bonds

Pursuant to the Bond Acts and the provisions of California Government Code Section 16780 *et seq.* (the "Refunding Law"), refunding bonds may be issued to refund Bonds at or prior to their stated maturity dates. Pursuant to Section 16784 of the Refunding Law, the proceeds of such refunding bonds and other funds as described therein must be deposited into the Refunding Escrow Fund and invested in Permitted Investments (defined below) or held uninvested. The amounts deposited in the Refunding Escrow Fund can be used only for the payment of the principal of, premium, if any, and interest on the refunded Bonds as they come due and for other purposes set forth in Section 16782 of the Government Code, including payment of costs of issuance of the refunding bonds. A separate account or accounts will be created within the Refunding Escrow Fund for each issue of refunding bonds.

"Permitted Investments" means (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States is pledged for the payment of principal and interest, including receipts, certificates or any other evidences of an ownership

interest in the investments identified in this clause (i) or in specified portions thereof; (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States; (iii) pre-refunded municipal bonds which are rated no lower than the investments identified in clause (i) by each rating agency rating such bonds; (iv) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act; bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended and bonds of any federal home loan bank established under that act; obligations of the Federal Home Loan Mortgage Corporation; bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended; and bonds, notes and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended, provided, however that the Permitted Investments specified in this clause (iv) shall be rated by at least two of any three rating agencies rating such obligations not lower than the higher of (1) the rating on the Bonds to be refunded at the time of the original issuance thereof and (2) the rating on the Bonds to be refunded at the time of refunding; or (v) deposit in the State Surplus Money Investment Fund.

In any refunding for which proceeds of refunding bonds (and other funds, if any) are deposited into the Refunding Escrow Fund for payment of Bonds greater than 90 days prior to the date of retirement of such Bonds, unless the moneys on deposit are held in the State Surplus Money Investment Fund or as uninvested cash or both and are sufficient to pay when due all of the principal, premium, if any, and interest on such refunded Bonds until maturity or the date fixed for redemption without accounting for investment earnings thereon, the State Treasurer is required to obtain a report from a firm of independent public accountants verifying the sufficiency of such deposit.

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ANNUAL DEBT SERVICE REQUIREMENTS

Construction Bonds. The following table sets forth the scheduled amounts of principal (whether at maturity or by mandatory sinking fund payments), interest and fiscal year total debt service payments due on the Construction Bonds.

Fiscal Year Ended June 30*	Principal	Interest	Fiscal Year Total Debt Service
2027	$	$	$
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
Total	**$**	**$**	**$**

* Preliminary, subject to change.

Refunding Bonds. The following table sets forth the scheduled amounts of principal (whether at maturity or by mandatory sinking fund payments), interest and fiscal year total debt service payments due on the Refunding Bonds.

Fiscal Year Ended June 30*	Principal	Interest	Fiscal Year Total Debt Service
2027	$	$	$
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
Total	**$**	**$**	**$**

For additional information regarding the debt service payment obligations of the State, see APPENDIX A—"THE STATE OF CALIFORNIA—STATE DEBT TABLES."

LEGAL MATTERS

The opinion of the Honorable Rob Bonta, Attorney General of the State (the "Attorney General"), approving the validity of the Bonds will be delivered concurrently with the issuance of the Bonds. The opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State ("Bond Counsel"), approving the validity of the Bonds and addressing certain tax matters will be delivered concurrently with the issuance of the Bonds. The proposed forms of such legal opinions are set forth in APPENDIX D—"PROPOSED FORMS OF LEGAL OPINIONS." Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP are serving as Co-Disclosure Counsel to the State with respect to the Bonds ("Bond Co-Disclosure Counsel"). Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth LLP are serving as Co-Disclosure Counsel to the State regarding Appendix A ("Appendix A Co-Disclosure Counsel"). Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Roseman LLP ("Underwriters' Counsel").

* Preliminary, subject to change.

The Attorney General, Bond Counsel, Bond Co-Disclosure Counsel, Appendix A Co-Disclosure Counsel and Underwriters' Counsel, undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D—"PROPOSED FORMS OF LEGAL OPINIONS."

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The State has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future federal or state legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The State has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the State or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or

result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the State or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LITIGATION

There is not now pending (with service of process on the State having been accomplished) or threatened any litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds or challenging the validity of the Bonds or any proceedings of the State taken with respect to the foregoing.

There are numerous litigation matters pending against the State, which could, if determined adversely to the State, affect the State's expenditures and, in some cases, its revenues and cash flow. While there can be no assurances as to the ultimate resolution and fiscal impact of such litigation, the State believes that the resolutions of such litigation are unlikely to adversely affect the ability of the State to pay the principal of and interest on the Bonds when due. See APPENDIX A—"THE STATE OF CALIFORNIA—LITIGATION."

UNDERWRITING

The Bonds are being purchased by an underwriting group consisting of the underwriters listed on the cover page hereof (the "Underwriters"). BofA Securities, Inc. and Barclays Capital Inc. are acting as the representatives of the Underwriters with respect to the Bonds.

The Underwriters have agreed to purchase the Bonds for an aggregate purchase price of $_____ (representing the principal amount of the Bonds of $_____, plus/less net original issue premium/discount of $_____, less an Underwriters' discount of $_____). The initial public offering prices of the Bonds may be changed from time to time by the Underwriters.

The bond purchase contract relating to the Bonds (the "Bond Purchase Contract") provides that (i) the Underwriters will purchase all (but not less than all) of the Bonds, and (ii) the obligations to make such purchases are subject to certain terms and conditions set forth in such Bond Purchase Contract including, among others, the approval of certain legal matters by counsel.

Several of the Underwriters have provided letters to the State Treasurer relating to their distribution practices or other affiliations for inclusion in this Official Statement, which are set forth in Appendix E. The State does not guarantee the accuracy or completeness of the information contained in such letters and the information therein is not to be construed as a representation of the State or of any Underwriter other than the Underwriter providing such representation.

FINANCIAL STATEMENTS

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025 (the "2025 Annual Comprehensive Financial Report") is included as Appendix F to this Official Statement. The 2025 Annual Comprehensive Financial Report has been examined by the California State Auditor (the "State Auditor") to the extent indicated in the Independent Auditor's Report contained therein. For additional information, see APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

Prior to fiscal year 2017-18, the State's basic financial statements for a fiscal year were generally released on or before March 31 of the subsequent fiscal year. In connection with the release of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, State Controller Malia Cohen noted that since 2018, the state's Annual Comprehensive Financial Report has been released well beyond March 31 of the subsequent fiscal year. The cumulative impact of the delays in the completion of prior years' reports resulted in a delay in the issuance of the 2025 Annual Comprehensive Financial Report until May 12, 2026. For additional information, see APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

The State Controller's unaudited reports of the General Fund cash receipts and disbursements for the periods from July 1, 2025 through June 30, 2026, and July 1, 2026 through August 31, 2026, are included as Exhibit 2 to Appendix A to this Official Statement. The State Controller's unaudited report of the General Fund cash receipts and disbursements for the period from July 1, 2026 through September 30, 2026, is expected to be released on or about October 9, 2026, and if available, will be included in the final Official Statement.

RATINGS

The Bonds have received ratings of "Aa2" by Moody's Investors Service, "AA-" by S&P Global Ratings and "AA" by Fitch Ratings. An explanation of the significance and status of such credit ratings may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any such rating agencies if, in their respective judgments, circumstances so warrant. Any revision or withdrawal of a credit rating could have an effect on the market prices and marketability of the Bonds. The State cannot predict the timing or impact of future actions by the rating agencies.

CONTINUING DISCLOSURE

The State Treasurer will agree on behalf of the State to provide annually certain financial information and operating data relating to the State by not later than April 1 of each year in which any Bonds are outstanding (the "Annual Report"), commencing with the report to be filed on or before April 1, 2027, containing fiscal year 2025-26 financial information, and to provide notice of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report and the notices of events and certain other terms of the continuing disclosure obligation are set forth in APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The State Treasurer has adopted policies and procedures designed to ensure compliance with these undertakings.

The State's annual reports for the fiscal years ended June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024, and June 30, 2025, filed on the EMMA website, did not include the State's audited or unaudited financial statements. Notices of failure to file a complete annual report due to absence of financial statements were filed on the EMMA website on March 22, 2022, March 24, 2023, March 19, 2024, March 28, 2025, and March 25, 2026, respectively. The State's audited financial statements for the fiscal years ended June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024, and June 30, 2025, were filed on the EMMA website promptly after they were released. See APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Also see "FINANCIAL STATEMENTS" and APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

The State's Annual Reports and other required reports relating to the Bonds will be available from the EMMA website or on such other website as may be designated by the MSRB or the Securities and Exchange Commission. The information contained on any such website is not part of this Official Statement and is not incorporated herein.

VERIFICATION

Upon delivery of the Bonds, Precision Analytics Inc./Samuel Klein and Company, Certified Public Accountants, will deliver a report that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the deposits to be made to the Refunding Escrow Fund, together with receipts on investments therein, to pay interest on the Refunded Bonds when due and to redeem the Refunded Bonds on their respective redemption dates as described under "THE BONDS — Plan of Refunding."

MUNICIPAL ADVISOR

Public Resources Advisory Group is serving as the Municipal Advisor to the State in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes or

documents are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such statutes or documents for full and complete statements of the contents thereof. Copies of the Resolutions may be obtained upon written request from the Office of the State Treasurer.

Any statements in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

Questions regarding this Official Statement and the issuance of these securities may be addressed to the Office of the Honorable Fiona Ma, Treasurer of the State of California, Public Finance Division, P.O. Box 942809, Sacramento, California 94209-0001, telephone (800) 900-3873, or submitted by email to the State Treasurer's Office (investorrelations@treasurer.ca.gov), referencing "October 2026 G.O. Bonds" in the email subject line.

STATE OF CALIFORNIA
FIONA MA
Treasurer of the State of California

EXHIBIT 1

BOND ACTS, PURPOSES AND SERIES*

CONSTRUCTION BONDS*

The Construction Bonds will be issued in the amounts and series, and under some or all of the Bond Acts as set forth below. Proceeds of the Construction Bonds will be used to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described below. The State Treasurer may modify the list below at any time prior to the execution and delivery of the Bond Purchase Contract.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount ($)
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act Finance Committee	Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection		
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access		
Children's Hospital Bond Act of 2008	Children's Hospital Bond Act Finance Committee	Children's Hospital		
Children's Hospital Bond Act of 2018	Children's Hospital Bond Act Finance Committee	Children's Hospital		
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	State School Building Finance Committee	K-12 Public Education Facilities		
Disaster Preparedness and Flood Prevention Bond Act of 2006	Disaster Preparedness and Flood Prevention Bond Finance Committee	Disaster Preparedness and Flood Prevention		
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality and Port Security		

* Preliminary, subject to change.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount ($)
Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024	Higher Education Facilities Finance Committee	Public Higher Education Facilities		
Kindergarten-University Public Education Facilities Bond Act of 2004	Higher Education Facilities Finance Committee	Public Higher Education Facilities		
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Finance Committee	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		
Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024	Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Finance Committee	Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air		
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Only projects to be funded pursuant to Section 2704.095 of the California Streets and Highways Code)	High-Speed Passenger Train Finance Committee	High Speed Rail		
Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement		
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection		

REFUNDING BONDS*

The Refunding Bonds will be issued in the amounts and series, and under some or all of the Bond Acts as set forth below. Proceeds of the Refunding Bonds will be used to refund bonds issued to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described below. The State Treasurer may modify the list below at any time prior to the execution and delivery of the Bond Purchase Contract.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount ($)
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act Finance Committee	Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection		
California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	California Library Construction and Renovation Finance Committee	Library Construction and Renovation		
Children's Hospital Bond Act of 2004	Children's Hospital Bond Act Finance Committee	Children's Hospital		
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Higher Education Facilities Finance Committee	Public Higher Education Facilities		
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	State School Building Finance Committee	K-12 Public Education Facilities		
Clean Air and Transportation Improvement Bond Act of 1990	Transportation Improvement Finance Committee	Clean Air & Transportation Improvement		
Higher Education Facilities Bond Act of 1988	Higher Education Facilities Finance Committee	Public Higher Education Facilities		
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality and Port Security		

* Preliminary, subject to change.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount ($)
Kindergarten-University Public Education Facilities Bond Act of 2002	Higher Education Facilities Finance Committee	Public Higher Education Facilities		
Kindergarten-University Public Education Facilities Bond Act of 2002	State School Building Finance Committee	K-12 Public Education Facilities		
Kindergarten-University Public Education Facilities Bond Act of 2004	State School Building Finance Committee	K-12 Public Education Facilities		
Kindergarten-University Public Education Facilities Bond Act of 2004	Higher Education Facilities Finance Committee	Public Higher Education Facilities		
Kindergarten-University Public Education Facilities Bond Act of 2006	State School Building Finance Committee	K-12 Public Education Facilities		
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Finance Committee	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection		
School Facilities Bond Act of 1992	State School Building Finance Committee	K-12 Public School Facilities		
Seismic Retrofit Bond Act of 1996	Seismic Retrofit Finance Committee	Seismic Retrofit		
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection		

EXHIBIT 2

REFUNDED BONDS*

At any time prior to the execution and delivery of the Bond Purchase Contract, the State Treasurer may modify the list of bonds that may be refunded with proceeds of the Refunding Bonds and the details of the refundings, including, but not limited to, adding or removing refunding candidates from the list and changing the expected redemption date(s). The Refunded Bonds will be selected based upon market conditions, bond structure, or other factors at the time of pricing, and the State Treasurer's internal guidelines for issuing general obligation refunding bonds. Selection of the bonds to be refunded is at the sole and absolute discretion of the State Treasurer.

The amounts in the column "Principal Amount of Refunded Bonds" represent the respective amounts of such bonds that constitute the Refunded Bonds. The difference, if any, between the amounts in the column "Aggregate Principal Amount Outstanding" and the column "Principal Amount of Refunded Bonds" represents bonds not selected by the State Treasurer to be refunded with proceeds of the Refunding Bonds, which amount of bonds will remain outstanding after the expected redemption date.

The following table is a list of bonds that may be refunded with proceeds of the Refunding Bonds.

Dated Date	Maturity Date	Expected Redemption Date	Aggregate Principal Amount Outstanding ($)	Interest Rate (%)	Redemption Price (%)	CUSIP† (13063)	Principal Amount of Refunded Bonds ($)
3/17/2016	9/1/2027	1/12/2027	13,170,000	3.250	100	CE71	
3/17/2016	9/1/2027	1/12/2027	10,085,000	4.000	100	CD31	
3/17/2016	9/1/2027	11/16/2026	10,700,000	5.000	100	CF21	
3/17/2016	9/1/2028	1/12/2027	20,000,000	3.250	100	CE89	
3/17/2016	9/1/2028	1/12/2027	47,280,000	4.000	100	CD49	
3/17/2016	9/1/2031	1/12/2027	32,525,000	4.000	100	CA26	
3/17/2016	9/1/2031	1/12/2027	13,140,000	4.000	100	CD72	
3/17/2016	9/1/2032	1/12/2027	81,920,000	3.000	100	CE97	
3/17/2016	9/1/2032	1/12/2027	37,530,000	4.000	100	CA34	
3/17/2016	9/1/2032	1/12/2027	62,355,000	4.000	100	CF39	
3/17/2016	9/1/2032	1/12/2027	76,890,000	4.000	100	CZY9	
3/17/2016	9/1/2033	1/12/2027	78,585,000	3.000	100	CC32	
3/17/2016	9/1/2033	1/12/2027	87,990,000	4.000	100	CD80	
3/17/2016	9/1/2034	1/12/2027	103,235,000	4.000	100	CD98	
3/17/2016	9/1/2034	11/16/2026	102,330,000	5.000	100	CC40	
3/17/2016	9/1/2035	1/12/2027	102,265,000	4.000	100	CE22	
3/17/2016	9/1/2035	1/12/2027	76,895,000	4.000	100	CZZ6	
3/17/2016	9/1/2035	11/16/2026	121,385,000	5.000	100	CC57	
3/17/2016	9/1/2036	1/12/2027	104,355,000	4.000	100	CE30	

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the bonds. The State may seek new CUSIP numbers in connection with the partial refunding of certain of the bonds.

Dated Date	Maturity Date	Expected Redemption Date	Aggregate Principal Amount Outstanding ($)	Interest Rate (%)	Redemption Price (%)	CUSIP† (13063)	Principal Amount of Refunded Bonds ($)
3/17/2016	9/1/2036	11/16/2026	124,175,000	5.000	100	CC65	
3/17/2016	9/1/2045	1/12/2027	50,000,000	4.000	100	CZV5	
3/17/2016	9/1/2045	11/16/2026	200,000,000	5.000	100	CZU7	
9/13/2016	9/1/2037	1/12/2027	65,000	4.000	100	EWQ5	
11/3/2016	8/1/2027	11/16/2026	129,115,000	5.000	100	C4P2	
11/3/2016	8/1/2028	11/16/2026	113,515,000	5.000	100	C4Q0	
11/3/2016	8/1/2029	11/16/2026	116,055,000	5.000	100	C4R8	
11/3/2016	8/1/2030	11/16/2026	115,030,000	5.000	100	C4S6	
3/14/2017	8/1/2027	1/12/2027	2,155,000	4.000	100	EXB7	
3/14/2017	8/1/2030	1/12/2027	12,735,000	4.000	100	EXG6	
3/14/2017	8/1/2032	1/12/2027	11,000,000	3.500	100	C6J4	
3/14/2017	8/1/2037	1/12/2027	9,000,000	3.750	100	C6V7	
3/14/2017	8/1/2038	1/12/2027	46,500,000	4.000	100	C6Y1	
3/14/2017	8/1/2046	1/12/2027	50,000,000	4.000	100	C5C0	
3/15/2018	10/1/2027	11/16/2026	5,390,000	5.000	100	ETL0	

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the bonds. The State may seek new CUSIP numbers in connection with the partial refunding of certain of the bonds.

APPENDIX A

THE STATE OF CALIFORNIA

September 28, 2026

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INTRODUCTION TO APPENDIX A

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

APPENDIX A is divided into two Parts. PART I contains information regarding the 2026 Budget Act, including background on the state's economic and financial condition. As the state (including certain of its agencies) issues bonds from time to time, PART I of APPENDIX A (including EXHIBIT 2) is updated as needed to provide the most current material information.

PART II of APPENDIX A (including EXHIBIT 1 — "PENSION SYSTEMS") contains information on the structure of the state's finances, including historical details on revenues and transfers, expenditures, reserves, cash management, and outstanding indebtedness, among other information. The information in PART II is generally updated twice per year: following release of the Governor's budget proposal in January (released by January 10 of each year for the following fiscal year) and again following enactment of the annual state budget act. The update following enactment of the annual state budget act includes revenue and economic forecasts presented in the May Revision of the Governor's January budget proposal (the "May Revision") (released by May 14 of each year).

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

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

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PART I

OVERVIEW

Population and Economy of the State

California is by far the most populous state in the nation, with an estimated 39.5 million residents as of July 2025. California's population is approximately 20 percent larger than that of the second-most populous state, and California contains approximately 11.5 percent of the total U.S. population, based on the latest U.S. Census Bureau data. The state's population increased slightly in fiscal year 2024-25 (from 39.51 million to 39.53 million), and the state's population is projected to grow slightly over the long term to reach a peak of 41.1 million residents in 2049, after which it is projected to decline slowly to 39.9 million by 2070. See "ECONOMY AND POPULATION."

California's economy accounted for 13.8 percent of the U.S. Gross Domestic Product ("GDP") in 2025, the latest year for which data is available. The state has a diverse economy with major components in technology, trade, entertainment, manufacturing, agriculture, government, tourism, construction, education, health care, and services.

Demographic and economic statistical information and a discussion of economic assumptions are included in APPENDIX A under "CURRENT STATE BUDGET — Economic Assumptions Underlying the 2026 Budget Act" and "ECONOMY AND POPULATION."

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

In fiscal year 2022-23, after two years of unprecedented General Fund revenue growth, the state faced a severe downturn in revenues due to a then-declining stock market, high inflation, and rising interest rates. Due to record winter storms causing federal tax filing and payment deadline delays to November 2023 for over 99 percent of Californians in 2023, the extent of this downturn was not recognized until late 2023 when preparing the 2024-25 Governor's Budget, which delayed the state's budgetary response to deal with the reduction in revenue. The state maintains several budgetary reserves to protect against revenue volatility and economic downturns, including the Budget Stabilization Account (the "BSA"), the state's rainy day fund established pursuant to Proposition 2 (2014), the Special Fund for Economic Uncertainties (the "SFEU"), and the Public School System Stabilization Account (the "PSSSA"). The state addressed the ensuing budget shortfalls using a mix of budgetary actions, such as reductions, delays, and fund shifts, and the use of the budget reserves to balance the budgets.

As part of the 2024 Budget Act, the Governor declared a fiscal budget emergency on June 26, 2024, which allowed the Legislature to suspend the required transfer to the BSA for fiscal year 2024-25 and to withdraw $4.9 billion from the BSA. To balance the budget over two fiscal years, the 2024 Budget Act also assumed a suspension of the required transfer to the BSA for fiscal year 2025-26 and a withdrawal of an additional $7.1 billion from the BSA in fiscal year 2025-26. Consistent with the approach outlined in the 2024 Budget Act of utilizing a portion of the state's reserves to help balance the budget over two fiscal years (fiscal years 2024-25 and 2025-26), the Governor declared a fiscal budget emergency on June 27, 2025, and the 2025 Budget Act suspended the required transfer of $1.6 billion in fiscal year 2025-26 to the BSA and maintained the withdrawal of $7.1 billion from the BSA in fiscal year 2025-26, leaving a projected balance in the BSA of $11.2 billion at the end of fiscal year 2025-26. By spreading the allowable withdrawals over fiscal year 2024-25 and fiscal year 2025-26, the state was able to take a more balanced approach to addressing the budget shortfall of $11.8 billion that was projected for fiscal year 2025-26 prior to the corrective measures implemented in the 2025-26 Budget.

Under Proposition 2, the state is required to revisit — or "true up" — its estimates of required BSA deposits in each of the two fiscal years following the year to which the deposit relates. This true-up process is designed to align original deposit estimates with actual revenues, particularly capital gains tax revenues, which are inherently difficult to forecast at the time a budget is enacted. True-up obligations arise even when the initial deposit for the applicable year was suspended due to a budget emergency; however, true-up deposits may themselves be suspended if the Governor declares a budget emergency.

After adoption of the 2025 Budget Act, General Fund revenues, particularly personal income tax revenue attributable to capital gains, have been revised significantly upward. Capital gains realizations in calendar year 2025 are now estimated to have reached approximately $287 billion, reflecting a roughly 38.5 percent increase over calendar year 2024, driven primarily by strong stock market performance and gains in the technology sector. This substantial increase in capital gains revenue triggered a correspondingly larger required BSA deposit under the Proposition 2 formulas. As a result, the true-up calculation for fiscal year 2025-26 now reflects a total required BSA deposit of approximately $5.4 billion — the difference between the deposit that would have been required under updated revenue estimates and the zero amount actually deposited due to the prior suspension.

The 2026 Budget Act continues to suspend the full $5.4 billion for the fiscal year 2025-26 'true-up' transfer to the BSA but also includes a $3.6 billion transfer to the BSA in fiscal year 2026-27.

The Projected Surplus Temporary Holding Account (formerly named the Surplus Holding Account), established in 2024, allows the state to set aside a portion of anticipated surplus funds for allocation in the subsequent fiscal year. This account was created to provide fiscal protection against overcommitting projected resources until revenues and expenditures are realized. The 2026 Budget Act includes a $6.4 billion transfer into this account, the first deposit into this account.

After accounting for the suspended transfers, withdrawals, and deposits for fiscal years 2024-25, 2025-26, and 2026-27, the 2026 Budget Act projects approximately $28.8 billion in total budgetary reserves at the end of fiscal year 2026-27 and a total of $35.2 billion set aside for future obligations when accounting for the Projected Surplus Temporary Holding Account, all comprising

- $15.1 billion in the BSA;
- $4.5 billion in the SFEU;
- $9.2 billion in the PSSSA; and
- $6.4 billion in the Projected Surplus Temporary Holding Account.

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

With the BSA suspensions and transfers described above, the 2026 Budget Act General Fund Multi-Year Projection reflects a balanced budget and a positive operating reserve balance (the SFEU) in fiscal year 2026-27 and fiscal year 2027-28. See Table 3.

Risks to the state's General Fund include the potential for deterioration in the state's revenues in the current and/or future years due to, among other risks, personal and corporation income tax volatility and/or an economic recession, significant reductions in federal funding or other federal actions that may lead to significant material adverse impacts on the General Fund, adverse decisions in lawsuits against state entities or the state, and persistent significant unfunded liabilities of the two main retirement systems

managed by state entities, the California Public Employees' Retirement System ("CalPERS") and the California State Teachers' Retirement System ("CalSTRS"), and other post-employment benefits. See Table 6 and "ECONOMIC AND BUDGET RISKS," "STATE FINANCES — OTHER ELEMENTS — Retiree Health Care Costs" and EXHIBIT 1 — "PENSION SYSTEMS."

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

Notwithstanding the available range of budget and other programmatic solutions, there can be no assurance that any solutions if enacted or otherwise implemented by the state in response to any actual or anticipated material adverse General Fund impact due to the manifestation of one or more of such risks, or adverse changes in state or national economies or in state or federal policies and/or laws, would be sufficient to avoid such adverse impact on General Fund resources.

General Fund Revenues, Expenditures, and Cash Management

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

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

Over the years, a number of laws and constitutional amendments have been enacted, often through voter initiatives, which have made it more difficult for the state to raise taxes, restricted the use of the General Fund or special fund revenues, or which otherwise limit the Legislature and the Governor's discretion in enacting budgets, including capping the amount of appropriations under certain conditions. In the future, additional laws and constitutional amendments may be enacted, including by voter initiative, which could place additional limitations on the ability of the state to increase and/or collect taxes or fees, or otherwise restrict the use of the General Fund (which could include changes in the priority of payments from the General Fund as described in "CASH MANAGEMENT — Traditional Cash Management Tools — *External Borrowing"*) or special fund revenues, or otherwise limit the Legislature and the Governor's discretion in enacting budgets.

At the November 3, 2026, statewide general election, California voters will consider a number of legislative and initiative measures, several of which, if approved, could affect the General Fund or the constitutional framework governing state reserves and appropriations. These include:

- Proposition 2 ("ACA 20 (Gabriel)") would, among other things, increase the maximum balance of the BSA from 10% to 20% of estimated General Fund proceeds of taxes, require additional savings in years when tax revenues are high, and would provide that funds transferred to the BSA pursuant to Proposition 2 would count toward the state's appropriations limit at the time of withdrawal from the BSA as opposed to upon transfer into the BSA;

- Proposition 3 would make permanent certain personal income tax rates on high-income taxpayers enacted in Proposition 30 in 2012 otherwise scheduled to expire at the end of 2031; and

- Proposition 40, sometimes referred to as "The 2026 Billionaire Tax Act" would impose a one-time 5 percent tax on the worldwide net worth of individuals with over $1 billion in assets who were state residents as of January 1, 2026.

The state cannot accurately predict the long-term impacts of the provisions of Propositions 3 and 40 on the General Fund if approved by voters, in part, because of the difficulty in predicting actions impacted taxpayers may take. However, pursuant to Elections Code section 9005, the Department of Finance and the Legislative Analyst estimate Proposition 3, if passed, would maintain $5 billion to $15 billion of annual state income taxes. In regard to Proposition 40, the Department of Finance and the Legislative Analyst estimate the initiative, if passed, could potentially result in an ongoing decrease in revenue in the hundreds of millions of dollars per year if impacted taxpayers relocate from the state.

Other propositions (Proposition 41, 42 and 43) seek to restrict new state taxes that exclude their revenues from the appropriations limit (which may invalidate Proposition 40, even if approved by voters), prohibit certain new State personal property and retroactive taxes, and increase voter approval thresholds required for certain new and increased local agency special taxes. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Restrictions on Raising or Using General Fund Revenues."

Each measure is subject to voter approval, and no assurance can be given as to whether any measure will be approved or, if approved, as to its ultimate fiscal effect. Pursuant to Elections Code Section 9005, the Department of Finance and the Legislative Analyst jointly deliver to the Attorney General an estimate of the amount of any increase or decrease in revenues or costs to the state or local government resulting from a proposed initiative measure. Such estimates may be found on the website of the Attorney General at https://oag.ca.gov/initiatives. Such estimates and any other information on such website are not part of or incorporated into APPENDIX A. In addition, future, additional laws and/or constitutional amendments enacted, including by voter initiative, may have additional significant impacts on the residents of the state and/or the state's economy, which may, directly or indirectly, adversely impact the General Fund. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Restrictions on Raising or Using General Fund Revenues."

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

Because the principal of and interest on the securities being offered in this Official Statement are payable either primarily or secondarily from moneys deposited in, or available for transfer to, the General

Fund, the financial information contained in APPENDIX A relates principally to revenues deposited in, or available for transfer to, the General Fund and expenditures of such moneys and, in each case, material risks related thereto.

State Indebtedness and Other Obligations

As of July 1, 2026, the state had approximately $81.8 billion of outstanding general obligation bonds and lease revenue bonds payable principally from the state's General Fund or from lease payments paid from the operating budget of the respective lessees, which operating budgets are primarily, but not exclusively, derived from the General Fund. As of July 1, 2026, there were approximately $39.1 billion of authorized but unissued long-term voter-approved general obligation bonds which, when issued, will be payable principally from the General Fund and approximately $6.6 billion of authorized but unissued lease revenue bonds. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Future Issuance Plans; General Fund Debt Ratio."

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

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

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

State Pension Systems and Retiree Health Care Costs

The two main state pension funds (CalPERS and CalSTRS) each continue to face unfunded future liabilities in the tens of billions of dollars. Market volatility may ultimately adversely impact unfunded pension liabilities and the state's annual actuarially determined General Fund pension contributions. For fiscal year 2025-26, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS were approximately $5.1 billion and $4.6 billion, respectively. For fiscal year 2026-27, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS are approximately $5.2 billion and $4.8 billion, respectively. See EXHIBIT 1 — "PENSION SYSTEMS — CalPERS — Funding Status" and EXHIBIT 1 — "PENSION SYSTEMS — CalSTRS — Funding Status" for information on the funding status of CalPERS and CalSTRS, respectively.

The 2025 Budget Act included two payments totaling $956 million from Proposition 2 debt repayment funding in fiscal year 2025-26 to reduce the state's CalPERS unfunded pension liability. The 2026 Budget Act includes an additional $3 billion payment from Proposition 2 debt repayment funding in fiscal year 2026-27 to reduce the state's CalPERS unfunded pension liability. These payments are in addition to the actuarially determined and statutorily required state pension contributions to CalPERS. See "STATE FINANCES — OTHER ELEMENTS — Pension Systems." See also EXHIBIT 1 — "PENSION SYSTEMS" for more information with respect to these payments.

The state also provides retiree health care and dental benefits to retired state employees and their eligible dependents and almost exclusively utilizes a "pay-as-you-go" funding policy. These benefits are referred to as "Other Postemployment Benefits" or "OPEB." The state has reported its liability for OPEB

in its financial statements under the Governmental Accounting Standards Board ("GASB") Statement No. 75.

The state's latest OPEB actuarial valuation report, as of June 30, 2025, was prepared in compliance with the GASB OPEB standards with the objective of determining the liabilities associated with OPEB provided to the state's employees and to develop the actuarial funding costs assuming the full-funding policy. For fiscal years 2025-26 and 2026-27, the Department of Finance projects that the General Fund contribution for OPEB is and will be approximately $3.4 billion and $3.8 billion, respectively. Under GASB standards, the total OPEB liability ("TOL") is estimated in the latest OPEB actuarial report to be $89.4 billion as of June 30, 2025 (of which $77.8 billion is unfunded) as compared to a TOL of $100.5 billion estimated as of June 30, 2024. One of the key factors contributing to the decrease in total OPEB liability is the increase in the GASB Statements No. 74 and 75 blended discount rates from 2023-24 to 2024-25. Specifically, the blended discount rate ranged from 3.97 percent to 4.50 percent as of June 30, 2024, and ranged from 5.20 percent to 5.40 percent as of June 30, 2025. This change in blended discount rate decreased TOL by 12.77 percent, or $13.4 billion. For details regarding the changes in this liability, see "STATE FINANCES — OTHER ELEMENTS — Retiree Health Care Costs."

Financial Statements

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025 (the "2025 Annual Comprehensive Financial Report"), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2025 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor's Report, Management's Discussion and Analysis, and Basic Financial Statements of the state for the Fiscal Year Ended June 30, 2025 (the "Basic Financial Statements"). The Financial Section also contains required supplementary information and combining financial statements and schedules. As set forth in more detail in the 2025 Annual Comprehensive Financial Report, the State Auditor issued an unmodified opinion on each of the components of the Basic Financial Statements, including the General Fund. This represents an improvement from the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, in which the State Auditor had issued modified opinions on the Unemployment Programs Fund and business-type activities within the government-wide Statement of Net Position and Statement of Activities due to financial accounting and reporting deficiencies at the Employment Development Department. See "FINANCIAL STATEMENTS."

In addition, EXHIBIT 2 to APPENDIX A contains the State Controller's unaudited reports of General Fund cash receipts and disbursements for the periods from July 1, 2025 through June 30, 2026, and July 1, 2026 through August 31, 2026. The August report reflects corrections included in a revised July report issued on September 10, 2026, primarily related to payroll adjustments and the timing of inter-fund transfers that were not captured in the initial July report issued on August 10, 2026. Information which may appear in APPENDIX A from the Department of Finance concerning monthly receipts of "agency cash" may differ from the State Controller's report of cash receipts for the same period generally because of timing differences. Agency cash represents cash received by agencies. The State Controller's report represents cash received by agencies as reported to and recorded by the State Controller, which may be a day or so later than when cash is received by agencies.

Certain Defined Terms

The following terms and abbreviations are used in APPENDIX A:

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

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

"EXHIBIT 2" means the State Controller's Unaudited Statement of General Fund Cash Receipts and Disbursements for the periods from July 1, 2025 through June 30, 2026, and July 1, 2026 through August 31, 2026, as attached to APPENDIX A as EXHIBIT 2.

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

"Projected Surplus Temporary Holding Account" means the Projected Surplus Temporary Holding Account (formerly, the Surplus Holding Account) created by the Legislature in 2024 that allows the state to set aside a portion of anticipated surplus funds for allocation in the subsequent fiscal year.

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

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

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

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

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

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

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

"2025 Budget Act" means the Budget Act for fiscal year 2025-26, enacted on June 27, 2025.

"2025-26 Budget" means the 2025 Budget Act plus related legislation to implement the budget.

"2026 Budget Act" means the Budget Act for fiscal year 2026-27, enacted on June 29, 2026.

"2026-27 Budget" means the 2026 Budget Act plus related legislation to implement the budget.

"2026-27 Governor's Budget" means the proposed Governor's Budget for fiscal year 2026-27, released on January 9, 2026.

"2026-27 May Revision" means the May Revision of the Governor's January budget proposal for fiscal year 2026-27.

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

RECENT DEVELOPMENTS

The following are certain significant recent developments concerning the state:

The 2026 Budget Act

On June 29, 2026, the Governor signed the 2026 Budget Act. See "CURRENT STATE BUDGET."

CalPERS Investment Return for Fiscal Year 2025-26

CalPERS has reported a preliminary 14.8 percent net return on investment for the fiscal year ended June 30, 2026, in its July 13, 2026 Newsletter. CalPERS has not, as of the date of this Official Statement, published an updated circular letter or equivalent projection analysis incorporating that fiscal year 2025-26 return.

CalSTRS Investment Return for Fiscal Year 2025-26

CalSTRS has reported a 13.9 percent net return on investment for the fiscal year ended June 30, 2026, in its August 4, 2026 news release. CalSTRS has not, as of the date of this Official Statement, published an updated actuarial valuation incorporating that fiscal year 2025-26 return.

Recent Cash Receipts

In July 2026, the Department of Finance reported that preliminary June 2026 General Fund agency cash receipts were $665 million, or 1.8 percent, above the 2026 Budget Act forecast. The 2026 Budget Act includes $375 million in additional corporation tax revenue in June compared to the 2026-27 May Revision forecast. The overage in June was due largely to higher corporation tax receipts of $896 million, sales and use tax receipts of $129 million, and personal income tax receipts of $107 million, partially offset by lower "Other revenue" of $398 million. Cumulatively since April, preliminary General Fund agency cash receipts through June were $828 million, or 0.3 percent, above the forecast for the 2025-26 fiscal year, due largely to higher corporation tax receipts of $920 million, higher sales and use tax receipts of $410 million, and higher personal income tax receipts of $381 million, partially offset by lower "Other revenue" of $790 million.

In August, the Department of Finance reported that preliminary July 2026 General Fund agency cash receipts were $7 million, or 0.1 percent, below the 2026 Budget Act forecast and were $821 million, or 0.8 percent, above forecast cumulatively since the forecast was completed in April. The small July shortfall was driven by lower personal income tax receipts of $420 million and lower pooled money interest of $215 million, largely offset by higher corporation tax receipts of $434 million, higher "Other revenue" receipts of $78 million, and higher sales and use tax receipts of $74 million. The lower pooled money interest was due to a delayed recording of receipts that is expected to be made up in August. The cumulative overage since April through July was due largely to higher corporation tax receipts of $1.4 billion and

higher sales and use tax receipts of $484 million, partially offset by lower "Other revenue" of $712 million. July is not a particularly important month for personal and corporate income taxes as there are no major payment due dates within the month.

In September, the Department of Finance reported that preliminary General Fund agency cash receipts were $1.5 billion, or 10.9 percent, above the 2026 Budget Act forecast in August. The August overage was driven by higher personal income tax withholding payments of $1.4 billion and higher "other revenues" of $143 million, slightly offset by lower pooled money interest of $174 million. For the second month, pooled money interest was below forecast due to an issue with the timely recording of receipts, which is expected to be offset in future months. Therefore, while pooled money interest is $458 million below forecast since April, most of that shortfall is due to timing. August is not a particularly important month for personal income and corporation taxes as there are no major payment due dates within the month. Cumulatively for April through August, preliminary General Fund agency cash receipts were $2.4 billion above projections, which includes an overage of $828 million attributed to cash collected during the 2025-26 fiscal year.

CURRENT STATE BUDGET

The 2026 Budget Act balances the budget in both fiscal years 2026-27 and 2027-28 with the use of the SFEU. This fiscal position provides a solid foundation to support critical priorities such as investments in education, mitigating the impacts of climate change, addressing housing needs, preventing homelessness, and making improvements to public safety. Additionally, there are increased budgetary reserves projected in fiscal year 2026-27. The 2026 Budget Act reflects total budgetary reserve balances at the end of fiscal year 2026-27 of approximately $28.8 billion, including $15.1 billion in the BSA, $4.5 billion in the SFEU, and $9.2 billion in the PSSSA, and a total of $35.2 billion set aside for future obligations when accounting for $6.4 billion in the Projected Surplus Temporary Holding Account. The 2026 Budget Act also projects a $403 million balance in the SFEU in fiscal year 2027-28 and reflects the withdrawal of the $6.4 billion from the Projected Surplus Temporary Holding Account to the General Fund in fiscal year 2027-28.

The 2026 Budget Act includes three key revenue proposals that build on previous actions to address ongoing cost pressures. First, the Managed Care Organization ("MCO") Tax, a tax on managed care health plans that supports the state's Medicaid program ("Medi-Cal"), is renewed, subject to federal approval, in a form that conforms with new federal requirements, and is projected to increase revenue by $575 million in fiscal year 2026-27. Next, the Business Tax Credit Limitation, which caps the amount of tax credits businesses may use to offset their annual tax liability, is extended for an additional three years (2027 through 2029) and made permanent at a modified level beginning in 2030. This extension is projected to increase revenue by $1 billion in fiscal year 2026-27. Finally, the Prewritten Software Tax, a sales and use tax on certain prewritten software delivered in a tangible medium, is being extended to software delivered purely electronically, and is projected to increase General Fund revenue by $450 million, and to increase local sales tax revenue by $560 million in fiscal year 2026-27.

The state has large cash reserves that are sufficient to allow operations of the state to continue without any significant projected disruptions throughout the 2026-27 fiscal year. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves" and "CASH MANAGEMENT."

General Fund revenues and transfers for fiscal year 2026-27 are projected at $226.8 billion, a decrease of $19.1 billion, or 7.8 percent, compared with a revised estimate of $245.8 billion for fiscal year 2025-26. These General Fund revenues and transfers estimates include a transfer of $7.1 billion from the BSA in fiscal year 2025-26, a transfer of $3.6 billion to the BSA in fiscal year 2026-27, and a transfer of $6.4 billion to the Temporary Surplus Holding Account in fiscal year 2026-27. These transfers have the

effect of lowering (transfer to) or raising (transfer from) reported levels of General Fund revenues and transfers. Excluding the effects of these transfers, General Fund revenues would be approximately $236.7 billion in fiscal year 2026-27 compared to approximately $238.7 billion in 2025-26, a decrease of approximately 0.8 percent. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Sources of Tax Revenue" and "— Budget Reserves."

The enacted General Fund expenditures for fiscal year 2026-27 are $251.5 billion; an increase of $6.2 billion compared with a revised estimate of $245.3 billion for fiscal year 2025-26. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures." A high-level review of the 2026 Budget Act main programs in fiscal year 2026-27 follows:

- TK-12 Education under Proposition 98 — total funding of $113 billion, of which $83 billion is from the General Fund and the remainder is from other funds, including local property taxes. "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — *TK-14 Education Under Proposition 98*."

- Higher Education — total funding of approximately $32.9 billion for all major segments of higher education, including $26.4 billion from the General Fund. The remaining funds include amounts from special and bond funds. "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — *Higher Education*."

- Health and Human Services — total funding of $145.2 billion, of which $93.4 billion is from the General Fund, $51.3 billion is from special funds, and $0.5 billion is from bond funds. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — *Health and Human Services*."

- Corrections and Rehabilitation Agency — total funding of $18.6 billion, of which $14.4 billion is from the General Fund and $4.2 billion is from special funds. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — *Public Safety*."

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The following table compares the General Fund Budget estimate as of the 2026 Budget Act to the General Fund Budget estimate as of the 2025 Budget Act:

TABLE 1
General Fund Summary[a]
(Dollars in Millions)

	As of 2025 Budget Act	As of 2026 Budget Act	
Fiscal Year:	**2025-26**	**2025-26**	**2026-27**
Prior Year Balance	$ 35,146	$ 56,707	$ 57,221
Revenues and Transfers	215,733	245,817	226,754
Total Resources Available	**$ 250,879**	**$ 302,524**	**$ 283,975**
Non-Proposition 98 Expenditures	$ 147,628	$ 157,557	$ 158,546
Proposition 98 Expenditures	80,738	87,746	92,931
Total Expenditures	**$ 228,366**	**$ 245,303**	**$ 251,477**
Fund Balance	**$ 22,513**	**$ 57,221**	**$ 32,498**
Reserve for Liquidation of Encumbrances[b]	18,001	27,998	27,998
Special Fund for Economic Uncertainties	4,513	29,223	4,500
Public School System Stabilization Account	$ 0	$ 9,195	$ 9,195
Safety Net Reserve Fund	$ 0	$ 0	$ 0
Budget Stabilization Account/"Rainy Day Fund"	$ 11,191	$ 11,496	$ 15,070

[a] See "— Fiscal Year 2025-26 Revised at the 2026 Budget Act" for a description of certain changes from the estimate as of the 2025 Budget Act. Budget estimates are point-in-time projections based on available information and economic assumptions at the time of enactment. Actual revenues, expenditures, and fund balances may differ materially from these estimates due to, among other factors, the inherent volatility of the state's major revenue sources, particularly capital gains tax revenue. See "— Development of Revenue Estimates" and "ECONOMIC AND BUDGET RISKS."

[b] For the General Fund budgetary purposes, the Department of Finance makes a statewide adjustment to remove the total outstanding encumbrances (commitments for the procurement of goods or services which have not yet been received by the state) from overall General Fund expenditures and shows the amount as the Reserve for Liquidation of Encumbrances, in accordance with Government Code section 13307.

Source: State of California, Department of Finance.

Note: Numbers may not add due to rounding.

See Table 5 for certain information on General Fund revenues by source and General Fund expenditures by agency.

Development of Revenue Estimates

The state develops revenue estimates twice per year – at the end of November, for purposes of the Governor's Budget for the next fiscal year, and at the end of April, for purposes of the May Revision of the Governor's Budget, which precedes adoption of the forthcoming fiscal year's budget.

The revenue estimates reflect available information at the point in time at which they were prepared. The state does not update revenue estimates except in connection with the development of the Governor's Budget and the May Revision. The May Revision economic forecast is generally incorporated into the Budget Act, with the Budget Act reflecting enacted policy changes that may be different from May Revision policy proposals as well as potential adjustments reflecting cash results in May.

This section contains economic information compiled through mid-April 2026 in connection with the preparation of the 2026-27 May Revision and is intended to show the major assumptions, including projections, used in the development of the revenue estimates contained therein. The revenue estimates (and the economic information in this section) will not be revised or updated again until late November 2026 for use in the preparation of the Governor's Budget for fiscal year 2027-28.

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

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

Two factors, among others, that may impact the forecast — out-migration of high-income taxpayers and federal tax law changes impacting the state's pass-through entity tax ("PTET") program — are highlighted below. As discussed in "— Sources of Tax Revenue," the personal income tax relies heavily on high-income earners for a disproportionate share of revenue. Therefore, outmigration by high-income individuals represents a potential budget risk that could impact the actual performance of revenue relative to forecast. The PTET (which allows taxpayers with income from pass-through entities to electively shift tax liability from their personal state income tax to the business entity), meanwhile, results in a significant shift in revenue from the personal income tax to the corporation tax, though the largely offsetting shift can differ in terms of timing because credit use against the personal income tax often lags payments made under the corporation tax. Therefore, any federal actions that end the PTET early or make significant changes such that taxpayer participation declines significantly could negatively impact net revenue in a particular fiscal year.

Data on whether there was net out-migration of high-income taxpayers in recent years is inconclusive based on currently available state tax return data through tax year 2024. State tax return data for 2024, which became available in April 2026, showed a year-over-year increase in the number of personal tax returns with Adjusted Gross Income ("AGI") of $1 million or more, an expected result given the year-over-year increase in capital gains realizations in 2024. See Table 8.

The following table shows the number of personal tax returns reporting more than $1 million of income for tax years 2016 through 2024. Such data, however, is not necessarily indicative of in-migration or out-migration of high-income taxpayers because the numbers also reflect increases or decreases from individual taxpayer incomes inflating above or deflating below $1 million due to factors such as increasing or decreasing asset prices impacting capital gains and business income.

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Behavioral Health Services Act Tax Returns[(1)]
(Returns with more than $1 Million of Income)

2016	2017	2018	2019	2020	2021	2022	2023	2024
69,000	80,000	90,000	96,000	116,000	161,000	131,000	129,000	165,000

Note: Figures are rounded to the nearest thousand.

(1) Tax data relating to Proposition 63 (approved by the voters in 2004 and updated by Proposition 1, the Behavioral Health Services Act, in 2024, and imposed a 1 percent tax surcharge on taxable income above $1 million for purposes of funding and expanding behavioral health services) presented in this table is sourced from data that also includes personal income tax information. The state continues to refine the Proposition 63 tax data to more precisely separate Proposition 63 tax data from the personal income tax data. As the state continues to refine Proposition 63 tax data, it is possible that corrections to previously reported figures may occur.

Source: State of California, Department of Finance.

In addition, the Internal Revenue Service ("IRS") statistics of income data based on federal tax returns of taxpayers filing timely returns in two consecutive years, relying on an incomplete portion of total resident tax returns filed in 2023 (89 percent or 15.8 million out of 17.6 million resident returns in 2023), continues to show a decline in personal income taxpayers with annual AGI above $200,000. Based on a portion of the number of tax returns filed in 2023, personal income taxpayers with AGI above $200,000 moving out of California are estimated to have exceeded the number of similar taxpayers moving into California by around 16,000 in 2023 (out of a total of 1.9 million taxpayers in the IRS sample). This is lower than what occurred during the pandemic at a net out migration of such taxpayers of 25,000 in 2022, 27,000 in 2021, and 19,000 in 2020, but still above net out-migration in prior years estimated at 9,000 in 2019, 8,000 in 2018, 7,000 in 2017, and 2,000 in 2016.

The IRS data and calculated net out-migration figures are estimates and are limited by methodology that requires the matching of two consecutive years of tax returns by a taxpayer's identification number. Further, 2020 and 2021 were unusual years distorted by the COVID-19 pandemic and work-from-home policies. American Community Survey ("ACS") data from surveys conducted in 2025 suggests that, on net, California lost approximately 13,000 households with income over $200,000 in 2024. The ACS is a nationwide survey that has an annual sample size of about 3.5 million addresses (a relatively small sample as compared to the national population of approximately 341.78 million as of July 1, 2025), with survey information collected nearly every day of the year. The ACS, like any other sample survey, is subject to error and uncertainty as results are estimated based on a sample as opposed to being collected from the entire universe of subjects.

The federal Tax Cuts and Jobs Act, passed in December 2017, made a variety of tax law changes including introducing a $10,000 per-taxpayer cap on the state and local tax ("SALT") deduction for individuals calculating their federal income tax. The PTET program was first enacted in the 2021 Budget Act to mitigate the impact of the SALT deduction limitation on California taxpayers. Originally effective from tax year 2021 through tax year 2025, the PTET program allows taxpayers with income from pass-through entities to electively shift tax liability from their personal state income tax to the business entity, which helps reduce their federal tax liability by preventing inclusion of the elective payment amount in the SALT deduction cap.

The federal 2025 Budget Reconciliation Bill ("H.R. 1") was signed into law on July 4, 2025, enacting multiple changes to federal tax law. California does not automatically conform to federal tax law changes, and therefore the federal tax law changes in H.R. 1 are generally not expected to directly impact California's tax revenues. However, H.R. 1 extended the SALT deduction limitation indefinitely and increased the cap from $10,000 to $40,000 for certain taxpayers in tax year 2025, with the cap increasing 1 percent annually thereafter through 2029 and reverting to $10,000 in 2030 and thereafter. The 2025 Budget

Act included a statutory trigger to extend the PTET program from 2026 through 2030 if the SALT limitation was extended at the federal level. The 2026 Budget Act reflects the extension of the SALT limitation at the federal level and continuation of the state's PTET program through the end of 2030.

See "Multi-Year Budget Projection" and "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Sources of Tax Revenue — Corporation Tax."

The 2026-27 May Revision economic forecast incorporates, to the extent possible, developments and authorized policies through mid-April 2026, including the Iran war and related increases in global energy prices, updated tariff assumptions, stronger-than-projected labor market and housing permits data, as well as higher inflation. The Iran war is the major new development in the 2026-27 May Revision economic forecast and is the primary driver of the near-term inflation and growth revisions relative to the 2026-27 Governor's Budget economic forecast. The 2026-27 May Revision economic forecast assumes the Iran war, which began in late February 2026, has a modest and relatively short-lived economic impact, with disruptions largely resolved by the end of 2026; however the forecast also assumes that global oil prices will remain elevated through 2026 relative to what they were at the beginning of the year.

Tariffs remain an important risk, but their near-term effect on inflation and the economy is expected to be smaller than the energy-price shock from the Iran war. The 2026-27 May Revision economic forecast assumes a lower effective tariff rate than was incorporated in the 2026-27 Governor's Budget economic forecast, though still historically high. Tariff impacts are also projected to be more delayed and drawn out, affecting consumer prices in 2026 before easing in 2027.

National Economy.

The U.S. labor market continued to add jobs in the first half of 2026, following weak and uneven growth in 2025, that reflected, among other factors, the effects of trade policy uncertainty, restrictive immigration policies, and elevated interest rates. The U.S. added an average of 68,000 payroll jobs in the first three months of 2026, more than three times higher than the 20,000 average monthly jobs added during the same period in 2025, but significantly below the 191,000 average monthly job gain from 2015 to 2019 (pre-pandemic). The national unemployment rate was 4.3 percent in March 2026, the latest available data when finalizing the 2026-27 May Revision economic forecast in mid-April 2026. The national unemployment rate through March 2026 has averaged 4.3 percent since April 2025.

The U.S. Consumer Price Index ("CPI") inflation rate rose from 2.3 percent in April 2025 to 3.0 percent in September as tariffs drove up costs of imported goods, it then slowed to 2.4 percent in February 2026, just prior to the start of the Iran war and then rose again to 3.3 percent in March 2026 (the latest available month before the 2026-27 May Revision economic forecast was finalized) as gasoline prices increased sharply immediately following the start of the Iran war at the end of February 2026.

After holding rates steady for over a year, the Federal Reserve reduced its target interest rate range by 1.0 percentage point cumulatively from September 2024 to December 2024, reflecting the Federal Reserve's assessment that the pandemic-era inflation spike had been substantially contained as inflation was down to 2.5 percent by August 2024. The Federal Reserve then held its target interest rates steady in a range from 4.25 percent to 4.50 percent for most of 2025, generally taking a "wait-and-see" approach on determining the path of future rate hikes or cuts as the combination of sluggish job growth and increasing inflationary pressure due to tariffs made it difficult to satisfy both aspects of its dual mandate: maximum sustainable employment and price stability. On one hand, a weak job market (the U.S. lost an average of almost 9,000 jobs per month from June 2025 through August 2025) argued for rate cuts to support the labor market. On the other hand, increasing inflationary pressure from tariffs argued against further easing. As labor market deterioration became the more pressing concern, the Federal Reserve resumed rate cuts,

cutting rates three times by a total of 0.75 percentage point from September 2025 to December 2025 to the current target range of 3.50 percent to 3.75 percent as of June 2026. The 2026-27 May Revision economic forecast assumes that the Federal Reserve will next cut rates in March 2027.

At the time the 2026-27 May Revision economic forecast was finalized, the U.S. real gross domestic product ("GDP") was estimated to have increased at a 2.1 percent rate in 2025, slowing from a 2.8 percent growth in 2024 with nearly half of the gap coming from reduced federal government purchases although growth of consumption and fixed investment also slowed as tariffs raised the prices of imported goods. The 2026-27 May Revision economic forecast projects continued moderate growth of 2.1 percent in 2026 and 2 percent in 2027 as consumption is projected to grow steadily. Growth is projected to continue to average 2 percent from 2028 through 2030 as productivity is projected to be boosted by wider adoption of artificial intelligence.

Risks remain elevated, notably the uncertainty surrounding the Iran war, international trade, and immigration policies which are factors that can meaningfully affect economic growth. See "ECONOMIC AND BUDGET RISKS." The economic forecast for the 2027-28 Governor's Budget forecast will incorporate economic developments arising between April 2026 and November 2026. See "Economic Assumptions Underlying the 2026 Budget Act."

California Economy.

California was the fifth largest economy in the world in 2025, with a nominal GDP of almost $4.3 trillion. California added an average of 4,700 nonfarm payroll jobs monthly during 2025, compared to the monthly average gain of approximately 8,100 jobs in 2024, and significantly lower than the monthly average gain of 29,900 jobs from 2015 to 2019 (pre-pandemic), likely due to tariffs and elevated interest rates curtailing economic activity. The state accounted for 11.4 percent of U.S. nonfarm jobs from 2023 to 2025, slightly below its historical share of U.S. nonfarm employment of around 11.5 percent from 2015 to 2019 (pre-pandemic). California's nonfarm job growth is projected to contract slightly in 2026 due largely to the Iran war before slowly rebounding thereafter as the war's impact on oil prices is projected to fade. While the Iran war is projected to have broad-based adverse impacts across most sectors, oil-intensive sectors such as trade, transportation, utilities, manufacturing, and construction are projected to be disproportionately impacted.

California's labor force growth slowed from 0.9 percent in 2024 to 0.7 percent in 2025 as restrictive policies on legal immigration and elevated domestic and international uncertainty continue to constrain labor supply. Data from the Current Population Survey ("CPS") from the U.S. Census shows that there is a composition change in the state's labor force, likely due to the recent aggressive federal immigration measures. According to CPS's seasonally unadjusted data, in the first 12 months of the new federal administration from January 2025 to January 2026 (the latest data available when finalizing the 2026-27 May Revision economic forecast), California's foreign-born labor force declined by 291,000 persons (4.5 percent) while the native-born labor force increased by 318,200 persons (2.4 percent) in the same period. In comparison, during the prior 12-month period between January 2024 and January 2025, the state's foreign-born labor force had increased by 246,100 persons (3.9 percent), while the native-born labor force had increased by 158,100 persons (1.2 percent). The increase from January 2024 to January 2025 likely reflected increased immigration flows into California and more foreign-born residents participating in the labor force, however the data does not explicitly identify a single cause or immigration-status subgroup (i.e., foreign-born students, refugees, undocumented residents, etc.). Based on the latest data and recent trends, California's labor force is projected to decline by 0.1 percent in 2026 due to restrictive immigration policy and increase by 0.2 percent in 2027 before averaging 0.2 percent annual growth thereafter through 2030. California's unemployment rate increased from 5.3 percent in 2024 to 5.5 percent in 2025 as labor force growth continued to outpace civilian household employment growth. It is projected to increase

slightly to 5.6 percent in 2026 due to subdued employment growth before falling to 5.5 percent in 2027 as economic activity begins to rebound and gradually dropping to 5.1 percent by 2030 as the state's labor market returns to steady state growth.

California's CPI inflation accelerated from 2.7 percent in April 2025 to 3.5 percent in October 2025 due to tariffs and to increasing gasoline prices (similar to the U.S.) but slowed to 2.9 percent by February 2026 (the latest data available when finalizing the 2026-27 May Revision economic forecast), as gasoline prices declined. For both the state and the nation, most major consumer price index components are projected to experience sustained inflation in 2026 as a result of oil prices increasing due to the Iran war.

As a result, California headline inflation is projected to accelerate to 4.1 percent in 2026 before slowing to 3.1 percent in 2027 and then ticking up slightly to 3.2 percent every year from 2028 to 2030. The state's higher inflation increase relative to the nation stems from its historically higher energy and shelter costs as well as higher fuel-driven transportation and production costs. California inflation is projected to be 0.6 percentage point above U.S. inflation in 2026 and 0.9 percentage point higher beginning in 2027, lower than the 2015-2019 average difference of about 1.1 percentage points.

California personal income increased by 5.5 percent in 2025, 0.2 percentage point above the 2026-27 Governor's Budget economic forecast projection, reflecting stronger total wage growth than projected and upward revisions to historical data. Growth is projected to slow to 4.1 percent in 2026 before slightly rebounding to 4.4 percent in 2027. The projected slowing from 2025 to 2026 is driven largely by wages and salaries (slowing to 4.3 percent growth in 2026 from 5.8 percent growth in 2025) and proprietors' income (slowing from 4 percent growth in 2025 to 2.8 percent in 2026), both of which are adversely affected by the rise in oil prices due to the Iran war. Growth in transfer payments, which are mostly nontaxable, is also projected to slow from 9.8 percent in 2025 to 4.4 percent in 2026. In contrast, growth in the three components of personal income is projected to accelerate: dividends (2.5 percent projected growth in 2026 compared to 1.8 percent in 2025), interest income (4.7 percent projected growth compared to 1.7 percent), and rental income (3.5 percent projected growth in 2026 compared to 2.0 percent).

Despite slightly rebounding in 2025, California's residential construction sector continues to be constrained by higher interest rates and increasing costs for materials and labor. Residential permits increased from just under 100,000 permitted units in 2024 to 102,700 units in 2025. The 2026-27 May Revision economic forecast projects continued weakness in residential construction due to the Iran war driving up fuel costs in addition to the continuing impact of tariffs, with about 101,000 units projected to be permitted in 2026. Permits are projected to increase to 106,000 units in 2027. The number of residential units permitted is then projected to continue to grow at a modest pace, increasing to 115,500 units permitted in 2030. See "Economic Assumptions Underlying the 2026 Budget Act."

Relative to the economic forecast prepared for the 2026-27 Governor's Budget, the 2026-27 May Revision economic forecast projects slightly slower U.S. real GDP growth in 2026 (2.1 percent compared to 2.2 percent projected in the 2026-27 Governor's Budget economic forecast) but higher growth in 2027 (2.0 percent compared to 1.8 percent). The slight downgrade to 2026 reflects higher energy prices and the lingering effects of tariffs, while the 2027 upgrade reflects faster assumed projected productivity growth due to use of artificial intelligence. Overall, U.S. real GDP growth is projected to average 2.0 percent from 2026 through 2030. Similarly, California's economy is projected to experience moderate growth although the state's inflation rate is projected to exceed the assumed steady state rate of 3.2 percent in 2026 as a result of the Iran war and its impact on oil prices. The steady state rate is the rate of growth when the economy is in equilibrium. After averaging 4.1 percent in 2026 and 3.1 percent in 2027, California inflation is projected to average 3.2 percent each year from 2028 through 2030. California's nonfarm payroll job growth is projected to contract slightly by -0.02 percent in 2026 due to adverse labor market impacts from the Iran war and other federal policies before rebounding slightly to growth of 0.1 percent in 2027 before

averaging growth of 0.5 percent from 2028 to 2030. Risks and uncertainty remain elevated as a prolonged period of higher energy prices, persistent inflation, tighter financial conditions, or a sharper slowdown in business hiring and investment could lead to a broader contraction in economic activity.

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

Economic Assumptions Underlying the 2026 Budget Act

The revenue and expenditure estimates and projections incorporated into the 2026 Budget Act are based upon historical data and projections of the global, national, and California economies in general in calendar years 2025 through 2030. The underlying data and projections are set forth in the table below.

There can be no assurance that these assumptions relating to future economic conditions will be achieved. See also "ECONOMY AND POPULATION." These assumptions were finalized in late April 2026 and will not be updated again until late November 2026 for use in the Governor's Budget for fiscal year 2027-28 which will be released by January 10, 2027.

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TABLE 2
Selected United States and California Economic Data

	2025	2026	2027	2028	2029	2030
United States						
Nominal gross domestic product, $ in billions	$30,767	$32,400	$33,916	$35,440	$36,937	$38,451
Real gross domestic product, percent change	2.1%	2.1%	2.0%	2.1%	2.0%	1.9%
Contributions to real GDP growth:						
Personal consumption expenditures	1.8%	1.5%	1.4%	1.6%	1.8%	1.7%
Gross private domestic investment	0.4%	0.4%	0.7%	0.5%	0.4%	0.4%
Net exports	-0.2%	0.0%	-0.2%	0.0%	-0.1%	-0.2%
Government purchases of goods and services	0.2%	0.2%	0.1%	0.0%	-0.1%	0.0%
Personal income, $ in billions	$26,119	$27,355	$28,980	$30,551	$32,064	$33,564
Corporate profits, percent change	-0.4%	8.5%	1.0%	0.4%	5.3%	0.6%
Housing permits, thousands[1]	1,432					
Housing starts, thousands	1,357	1,341	1,304	1,308	1,311	1,307
Median sales price of existing homes[2]	$414,300					
Federal funds rate, percent	4.2%	3.6%	3.4%	3.1%	3.1%	3.1%
Consumer price index, percent change	2.7%	3.5%	2.2%	2.3%	2.3%	2.3%
Unemployment rate, percent	4.3%	4.6%	4.8%	4.6%	4.4%	4.3%
Civilian labor force, millions	170.9	170.8	171.5	172.0	172.6	173.2
Nonfarm payroll employment, millions	158.4	158.5	158.7	159.5	160.4	161.2
California						
Personal income, $ in billions	$3,586	$3,734	$3,898	$4,080	$4,270	$4,472
Exports of goods, percent change[1]	2.3%					
Housing permits, thousands	103	101	106	111	114	115
Housing unit net change, thousands	125	115				
Median sales price of existing homes[3]	$867,974					
Consumer price index, percent change	3.1%	4.1%	3.1%	3.2%	3.2%	3.2%
Unemployment rate, percent	5.5%	5.6%	5.5%	5.3%	5.2%	5.1%
Civilian labor force, in millions	19.8	19.8	19.8	19.9	19.9	20.0
Nonfarm payroll employment, in millions	18.0	18.0	18.0	18.1	18.2	18.3
Percent of total nonfarm employment						
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	5.0%	4.9%	4.8%	4.8%	4.9%	4.9%
Manufacturing	6.8%	6.6%	6.5%	6.4%	6.4%	6.4%
Trade, transportation, and utilities	16.9%	16.8%	16.7%	16.6%	16.5%	16.4%
Information	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%
Financial activities	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Professional and business services	15.3%	15.2%	15.2%	15.2%	15.3%	15.3%
Educational and health services	19.3%	19.9%	20.2%	20.3%	20.5%	20.6%
Leisure and hospitality	11.2%	11.2%	11.1%	11.1%	11.0%	11.0%
Other services	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Government	14.9%	14.8%	14.8%	14.8%	14.8%	14.7%

Note: 2025 data reflects actual results and 2026 through 2030 reflect 2026-27 May Revision forecast projections.

Note: Forecast based on data available as of April 2026.

Note: Percent changes calculated from unrounded data.

[1] Source: U.S. Census Bureau. No data after 2025.

[2] Source: National Association of Realtors. No data after 2025.

[3] Source: California Association of Realtors. No data after 2025.

Source: Except as otherwise noted, State of California, Department of Finance, 2026-27 May Revision.

Multi-year Budget Projection

As required by Proposition 2, the 2026 Budget Act includes a multi-year budget projection for the period through fiscal year 2029-30. The projection is based on current law as of June 2026. The projection reflects a variety of policies included in the 2026 Budget Act, including assumptions concerning revenues, expenditures, and forecasted future economic conditions.

As shown in Table 3, including the prior year balances, the multi-year projection in the 2026 Budget Act reflects a balanced budget with a positive operating reserve balance ("SFEU") in fiscal years 2026-27 and 2027-28, and projects operating deficits in fiscal year 2028-29 through fiscal year 2029-30. Operating deficits projected in the outyear forecasts are not uncommon. If projected deficits begin to materialize in the later years, corrective actions will be required in future budgets to achieve a balanced budget.

The large prior-year carry-in balance of approximately $57 billion in fiscal year 2025-26, as reflected in Table 3, is the result of one-time resources provided in previous fiscal years being carried forward for expenditure in fiscal year 2025-26. In previous budgets, significant one-time investments were expected to be expended over multiple fiscal years. The balance of one-time investments not fully expended in the year of appropriation is carried forward and expended in the following fiscal year.

Revenues and transfers (excluding transfers to the BSA) are projected to increase 4.2 percent on a year-over-year basis, or $9.7 billion, in fiscal year 2025-26, with the modest growth attributable to strong growth in personal income tax revenue, which is projected to grow 11.8 percent year-over-year due in large part to a 38.5 percent increase in capital gains realizations in 2025. The strong growth in fiscal year 2025-26 revenue is partially offset by $7.2 billion in decreased transfers to the General Fund compared to fiscal year 2024-25 (excluding transfers to the BSA) due primarily to a one-time $6.2 billion transfer from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund in fiscal year 2024-25. Revenues and transfers (excluding transfers to the BSA and to the Projected Surplus Temporary Holding Account) are projected to decline by 0.8 percent year-over-year in fiscal year 2026-27, before growing 3.6 percent in fiscal year 2027-28, 2.2 percent in fiscal year 2028-29, and 3.9 percent in fiscal year 2029-30. The year-over-year decline in fiscal year 2026-27 is due largely to a projected 0.8 percent year-over-year decline in personal income tax revenue, reflecting capital gains realizations normalizing after two years of strong growth. Additionally, transfers to the General Fund (excluding transfers to the BSA and the Projected Surplus Temporary Holding Account) in fiscal year 2026-27 are projected to decrease by $2.5 billion year-over-year as, on net, $1.3 billion in loans are repaid to special funds in fiscal year 2026-27 compared to $1.3 billion in net loans made from special funds to the General Fund in fiscal year 2025-26. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Sources of Tax Revenue" for a discussion of revenue trends for each source.

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

	Fiscal Year				
	2025-26	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Prior Year Balance	$ 56,707	$ 57,221	$ 32,498	$ 28,401	$ 19,757
Revenues and Transfers[a]	238,717	236,716	245,230	250,741	260,504
Transfer from/(to) the BSA[b]	7,100	(3,574)	(3,396)	(3,123)	(2,868)
Transfer from/(to) the Surplus Account[c]	-	(6,388)	6,388	-	-
Total Resources Available	**$ 302,524**	**$ 283,975**	**$ 280,720**	**$ 276,018**	**$ 277,393**
Proposition 98 Expenditures	$ 87,746	$ 92,931	$ 95,453	$ 98,973	$ 102,131
Non-Proposition 98 Expenditures	157,557	158,546	156,866	157,288	163,935
Total Expenditures	**$ 245,303**	**$ 251,477**	**$ 252,319**	**$ 256,261**	**$ 266,066**
Fund Balance:	**$ 57,221**	**$ 32,498**	**$ 28,401**	**$ 19,757**	**$ 11,327**
Reserve for Liquidation of Encumbrances	*$ 27,998*	*$ 27,998*	*$ 27,998*	*$ 27,998*	*$ 27,998*
Operating Reserve (SFEU)	*29,223*	*4,500*	*403*	*(8,241)*	*(16,671)*
Safety Net Reserve and PSSSA	9,195	9,195	9,195	9,195	9,195
Budget Stabilization Account/ "Rainy Day Fund"	11,496	15,070	18,466	21,589	24,457
Operating Surplus/(Deficit) with BSA Transfer	$ 514	$ (18,335)	$ (10,485)	$ (8,643)	$ (8,430)

Note: Totals may not add due to rounding.

[a] The Proposition 30 and Proposition 55 revenue amounts projected in the 2026 Budget Act are shown below (in millions):

	Fiscal Year				
	2025-26	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Prop 30/55 – Income Tax	$ 14,231	$ 14,129	$ 14,429	$ 14,799	$ 15,173

[b] Transfers to/from the BSA include transfers made pursuant to Proposition 2. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves."

[c] Transfers to and from the Projected Surplus Temporary Holding Account pursuant to Government Code Section 16418.7. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves."

Source: State of California, Department of Finance.

Fiscal Year 2025-26 Revised at the 2026 Budget Act

Four estimates of the General Fund's condition and activity during fiscal year 2025-26 have been updated to reflect the latest economic forecast prepared in connection with the 2026-27 May Revision and incorporated into the 2026 Budget Act. These four revised estimates include the projected beginning and ending balances of the General Fund for fiscal year 2025-26, as well as the revised estimates of revenues (including net transfers) and expenditures for fiscal year 2025-26.

Beginning Fund Balance. In the 2026 Budget Act, the estimate of the beginning General Fund balance for fiscal year 2025-26 is $21.6 billion higher than was previously estimated in the 2025 Budget Act ($56.7 billion compared to $35.1 billion). This increase in beginning fund balance for fiscal year 2025-26 is primarily due to past year adjustments to spending that decrease the estimate of spending by $2.4 billion, a revised estimate of the beginning balance of the prior year that includes an increase of $12.3 billion, and a revised estimate of revenues and transfers in the past year increasing revenues and transfers by $6.9 billion.

Revenues and Transfers. As shown in Table 1, the 2026 Budget Act estimate for fiscal year 2025-26 General Fund revenues and transfers has increased by $30.1 billion as compared to the 2025 Budget Act forecast ($245.8 billion compared to $215.7 billion), primarily due to higher tax revenues.

Expenditures. Also shown in Table 1, the 2026 Budget Act estimate of General Fund expenditures for fiscal year 2025-26 increased $16.9 billion from the 2025 Budget Act estimate ($245.3 billion compared to $228.4 billion), primarily due to the carrying forward of expenditures from previous fiscal years to be expended in fiscal year 2025-26, and the balance of one-time investments not fully expended since the prior fiscal year when initially appropriated, and higher Proposition 98 obligations resulting from increased General Fund revenues.

Ending Fund Balance. The 2026 Budget Act estimates an ending balance in the SFEU of $29.2 billion for fiscal year 2025-26, which is $24.7 billion higher than the 2025 Budget Act estimate of $4.5 billion. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves — Special Fund for Economic Uncertainties."

Summary of General Fund Revenues, Expenditures, and Fund Balance

The Department of Finance provides estimated and projected General Fund revenues, expenditures, and fund balances for fiscal years 2025-26 through 2026-27 from the 2026 Budget Act in Table 4. The State Controller provides actual accounting information for fiscal year 2023-24 and 2024-25 in Table 4.

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

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

	Fiscal Year			
	2023-24	2024-25	Estimated 2025-26	Projected 2026-27
Fund Balance–Beginning of Period	$ 32,104	$ 19,620	$ 44,348	$ 57,221
Prior Year Adjustment	3,609	6,101	12,359	--
Adjusted Beginning Fund Balance	**$ 35,713**	**$ 25,721**	**$ 56,707**	**$ 57,221**
Revenues	$ 191,476	$ 221,530	$ 236,881	$ 237,358
Other Financing Sources				
Transfers from Other Funds[b]	5,078	18,998	7,602	(9,599)
Other Additions	303	155	1,333	(1,005)
Total Revenues and Other Sources	**$ 196,857**	**$ 240,683**	**$ 245,817**	**$ 226,754**
Expenditures and Other Uses				
State Operations[c]	$ 48,367	$ 49,265	$ 51,197	$ 52,997
Local Assistance[d]	159,869	168,186	193,384	198,000
Capital Outlay	418	596	722	480
Transfer to Other Funds[b]	4,296	4,009	--	--
Total Expenditures and Other Uses	**$ 212,950**	**$ 222,056**	**$ 245,303**	**$ 251,477**
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	$ (16,093)	$ 18,627	$ 514	$ (24,723)
Reserves Fund Balances				
Deferred Payroll[e]	--	1,291	--	--
Reserve for Liquidation of Encumbrances	27,998	25,576	27,998	27,998
Reserve for the Unencumbered Balances of Continuing Appropriations[f]	26,787	13,435	--	--
SFEU[g]	3,829	3,510	29,223	4,500
Unreserved–Undesignated[g]	(38,994)	536	--	--
Fund Balance–End of Period	**$ 19,620**	**$ 44,348**	**$ 57,221**	**$ 32,498**

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

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

(c) Includes debt service cost on general obligation bonds of approximately $5.0 billion for fiscal year 2025-26 and $5.7 billion for fiscal year 2026-27, net of various offsets, including a federal Build America Bonds subsidy, various reimbursements to the General Fund from other funds, and amounts included in UC and CSU support budgets for debt service on UC and CSU debt. Total offsets equal approximately $2.0 billion in fiscal year 2025-26 and $2.0 billion for fiscal year 2026-27. These offset the General Fund debt service costs of certain general obligation bonds. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS — Capital Facilities Financing — *Build America Bonds*." Debt service amounts for earlier years are set forth in the table titled "Outstanding State Debt Fiscal Years 2020-21 through 2024-25" under "STATE DEBT TABLES."

(d) Includes transfers to and from the PSSSA.

(e) Deferred Payroll represents the amount of June payroll expenses deferred to July of the following fiscal year, for all state departments paid through the uniform payroll system. The Department of Finance, pursuant to Government Code Sections 12472.5 and 13302, implemented the deferrals of June payroll expenditures for various governmental and nongovernmental cost funds. Assembly Bill 171, Chapter 52, Statutes of 2024 updates and amends GC 12472.5 and 13302(d) to defer payroll from June to July of the following year, in 2024-25.

(Footnotes Continued on Following Page)

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

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

Source: Actual amounts for fiscal years 2023-24 and 2024-25 provided by State of California, Office of the State Controller. Estimated and projected amounts for fiscal years 2025-26 and 2026-27 provided by State of California, Department of Finance.

Note: Totals may not add due to rounding.

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General Fund Revenue and Expenditure Estimates and Projections

The table below presents previous estimates from the 2025 Budget Act and revised estimates and projections from the 2026 Budget Act.

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

	Fiscal Year		
General Fund Revenue Source	**2025-26 Enacted June 2025**	**2025-26 Revised June 2026**	**2026-27 Enacted June 2026**
Personal Income Tax	$ 125,962	$ 146,847	$ 145,609
Sales and Use Tax	34,862	34,588	35,598
Corporation Tax	35,613	43,662	45,167
Insurance Tax	4,359	4,510	4,728
Alcoholic Beverage Taxes and Fees	421	413	415
Cigarette Tax	35	35	34
Motor Vehicle Fees	46	46	46
Other[a]	7,335	8,616	(1,269)
Subtotal	**$ 208,633**	**$ 238,717**	**$ 230,328**
Transfer from/(to) the Budget Stabilization Account/"Rainy Day Fund"	7,100	7,100	(3,574)
Total General Fund Revenues and Transfers	**$ 215,733**	**$ 245,817**	**$ 226,754**

General Fund Expenditures by Agency	**2025-26 Enacted June 2025**	**2025-26 Revised June 2026**	**2026-27 Enacted June 2026**
Legislative, Judicial and Executive	$ 8,558	$ 10,820	$ 8,181
Business and Consumer Services[b]	--	226	16
Housing and Homelessness[b]	924	2,392	1,685
Transportation	728	816	554
Natural Resources	4,440	6,711	4,888
Environmental Protection	136	277	268
Health and Human Services	87,140	90,808	93,394
Public Safety (includes Corrections and Rehabilitation)	13,427	14,483	14,448
TK-12 Education	80,334	83,419	90,903
Higher Education	22,729	22,691	26,691
Labor and Workforce Development	958	1,127	1,020
Government Operations	2,715	3,303	5,110
General Government			
Non-Agency Departments	1,308	1,672	1,401
Tax Relief/Local Government	635	757	593
Statewide Expenditures[c]	4,333	5,802	2,326
Total General Fund Expenditures	**$ 228,366**	**$ 245,303**	**$ 251,477**

[a] Generally, consists of transfers and internal loans, and various smaller amounts for miscellaneous fees, taxes, unclaimed property and other sources. Fiscal year 2026-27 includes the $6.4 billion transfer to the Projected Surplus Temporary Holding Account, which causes "Other" category to appear negative.

[b] Reflects split of Business, Consumer Services & Housing department into two separate departments.

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

Source: State of California, Department of Finance.

Note: Totals may not add due to rounding.

ECONOMIC AND BUDGET RISKS

The 2026 Budget Act is based on a variety of estimates and assumptions. If actual results materially differ from those estimates and assumptions, the state's financial condition may be materially different than anticipated as described herein. The state faces certain risks with potentially significant adverse General Fund impact including, but not limited to, the following:

- Iran War. The 2026-27 May Revision economic forecast used in developing the 2026 Budget Act assumes the Iran war has a modest and relatively short-lived economic impact, largely through temporary price increases and disruptions that are projected to be resolved by the end of 2026. The war began in late February 2026, and West Texas Intermediate ("WTI") crude oil futures were above $90 per barrel by mid-April, when the 2026-27 May Revision economic forecast was finalized, up from about $60 per barrel at the start of 2026. The forecast assumes WTI crude remains at $100 per barrel in the second quarter of 2026 and stays above pre-war levels through 2030.

  WTI oil prices have fluctuated since the 2026-27 May Revision economic forecast especially with the unpredictable nature of the conflict. Nevertheless, oil prices remain above pre-war levels. The Iran war is still the most significant near-term risk to the outlook since it remains an active conflict and even if a permanent settlement were to be reached, oil prices would likely remain above pre-war levels for an extended period as it takes time to restore production, repair damaged energy infrastructure, and rebuild inventories.

  The 2026-27 May Revision economic forecast projects inflation to accelerate in 2026 mainly because of higher energy prices. U.S. headline CPI inflation is projected to increase from 2.7 percent in 2025 to 3.5 percent in 2026 before slowing to 2.2 percent in 2027, compared to 2.9 percent in 2026 and 2.6 percent in 2027 projected in the 2026-27 Governor's Budget economic forecast. Similarly, California inflation is projected to increase from 3.1 percent in 2025 to 4.1 percent in 2026 before slowing to 3.1 percent in 2027, compared to 3.3 percent in 2026 and 3.2 percent in 2027 in the 2026-27 Governor's Budget economic forecast. In both the U.S. and California, the sharp rise in oil prices and the delayed impact of tariffs on consumer prices are expected to affect a broad range of goods and services. Higher energy prices have both direct and indirect effects on inflation, with gasoline and other energy-related goods being immediately impacted. Gasoline inflation is projected to accelerate to 19.4 percent nationally and 21.5 percent in California in 2026. Higher energy prices directly raise gasoline and utility costs and indirectly raise production and transportation costs for businesses, which are then passed on to consumers. This reduces household purchasing power, weakens consumer demand, and weighs on overall economic activity.

  Because of these pressures, projected U.S. real GDP growth is downgraded to 2.1 percent in 2026 in the 2026 Budget Act, compared to 2.2 percent projected in the 2026-27 Governor's Budget economic forecast.

  Growth is expected to stabilize beginning in 2027 as energy markets are assumed to normalize, with U.S. real GDP projected to grow 2 percent in 2027, compared to 1.8 percent in the 2026-27 Governor's Budget economic forecast.

- Uncertain Federal Policies Relating to Tariffs, Immigration and Other Matters. Federal policy remains a major source of uncertainty, but tariff risks are somewhat less severe than the energy-price risks tied to the Iran war in the near term. The 2026-27 May Revision economic forecast incorporates tariff assumptions based on current law as of mid-April, including the February

2026 Supreme Court ruling that struck down the International Emergency Economic Powers Act tariffs. The forecast assumes those tariffs would be partially replaced by Section 122 tariffs, which have since expired on July 24, 2026, and were replaced by Section 301 tariffs. However, Section 122 tariffs were deemed unlawful by a federal court on May 7, 2026, but that ruling was temporarily paused by an appeals court on May 12, 2026.

Reflecting developments between late November 2025 and mid-April 2026, the 2026-27 May Revision economic forecast assumes a lower effective tariff rate than assumed in the 2026-27 Governor's Budget economic forecast and a longer pass-through period. The 2026-27 May Revision economic forecast assumes tariff pass-through affects consumer prices in 2026 before easing into 2027, compared to the 2026-27 Governor's Budget assumption that consumer prices would be essentially fully adjusted by the first quarter of 2026.

California remains especially vulnerable to tariffs because of its ports, logistics sector, and reliance on international trade. Tariffs can raise costs for businesses and consumers, affect supply chains, reduce trade flows, and delay investment decisions. However, compared with the Iran war, tariff impacts in the 2026-27 May Revision economic forecast are smaller and more gradual. The larger risk is that if tariff policy remains unpredictable or changes again, it would make it harder for businesses to plan and increase the chance that costs are passed on to consumers more quickly or more fully than assumed.

- Federal Government Shutdowns. The longest federal government shutdown in U.S. history lasted from October 1, 2025 to November 12, 2025, for a total of 43 days. As a result of the shutdown, several economic indicators normally used in the Governor's Budget forecasts were unavailable. Future federal government shutdowns could similarly disrupt federal agency operations and delay or prevent the release of economic data. Timely and complete data are critical to accurately understanding economic conditions as projections are developed. The unavailability of data or increased reliance on imputed data could make it more difficult to determine the trajectory of the economy and increase the risk that the forecast will not reflect current conditions. These disruptions could increase forecast uncertainty.

- Federal Immigration Policies. Restrictive federal immigration policies could reduce labor supply in sectors that rely more heavily on immigrant workers, including construction, agriculture, food services, hospitality, and other labor-intensive industries. This could constrain economic output and add wage and price pressure, particularly in California, which has a disproportionate share of the nation's immigrants. California's foreign-born labor force declined by 291,000 persons (4.5 percent) from January 2025 to January 2026 while the native-born labor force increased by 318,200 persons (2.4 percent) in the same period. These trends may be due to a change in the composition of the foreign-born population, which includes undocumented immigrants, temporary visa holders, and refugees. The disproportionate decline in the foreign-born labor force may also be due to immigration enforcement fears impacting the response rate to government surveys, further obfuscating the impacts of immigration policies on labor force and employment trends. The magnitude of the impacts may be exaggerated by the factors above, however, it is likely that federal immigration policies are impacting the foreign-born labor force. Lack of data or inaccuracy in measured employment trends as a result of low response rates make it difficult for decision-makers including the Federal Reserve to have an accurate picture of the health of the economy and can hamper their ability to determine the timing and magnitude of future rate adjustments.

- Reductions in Federal Funding. There can be no assurances that the federal administration will not materially reduce or eliminate funding or programs previously provided by or otherwise

agreed to by the federal government, for example, funding related to Medicaid, unemployment insurance, high-speed rail in the state, FEMA disaster assistance, grants to state and local health care organizations, and education funding. Any such reductions that have occurred and may occur in the future, could have a material adverse impact on the General Fund, depending on their nature and scope and on any responsive actions by the state. The federal administration has indicated it will take actions to address fraud in the federal government's welfare programs, and the state can make no assurances that the result of any such actions directed at the state would not materially adversely impact the General Fund.

- Estimated Impact of H.R. 1. H.R. 1 is anticipated to have significant fiscal and programmatic impacts on the state's budget in fiscal year 2026-27 and in future fiscal years. The state estimates H.R. 1 will result in reduction of federal funding to the state in the billions of dollars annually, primarily related to estimated reductions in funding for the Medi-Cal program, with minor fiscal impacts from the food benefit provisions in H.R. 1. The 2026 Budget Act estimates these costs to be $1.6 billion General Fund in fiscal year 2026-27 and a corresponding decrease of $1.7 billion in federal funds in fiscal year 2026-27 for Medi-Cal and CalFresh programs. The 2026 Budget Act estimates reduced expenditures of $13.2 billion total funds ($1.9 billion General Fund) for Medi-Cal and an estimated increase of $94.7 million General Fund for CalFresh (excluding benefit cost sharing) in fiscal year 2029-30. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — Health and Human Services — *CalFresh*" and "— *Medi-Cal"*).

  The estimated fiscal impacts are based on information currently available to the state. The state continues to evaluate the fiscal impacts of H.R. 1, as more information regarding application and final federal guidance of its provisions becomes available. Various funding reductions and other provisions of H.R. 1 are not effective until future fiscal years, and additional funding impacts will be estimated in future budgets. There can be no assurances additional General Fund impacts will not occur in fiscal year 2026-27 or in future fiscal years or that such impacts will not be material. The impacts would likely be addressed with a range of solutions across fiscal year 2026-27 and future fiscal years, that could include, among other solutions, program adjustments, significant expenditure deferrals and/or reductions, use of budgetary reserves and internal borrowing. Notwithstanding the available range of budget and other programmatic solutions, there can be no assurance that any solutions if enacted or otherwise implemented will materially mitigate the fiscal impacts of H.R. 1, which, notwithstanding any solutions enacted or otherwise implemented, may materially adversely affect General Fund resources in fiscal year 2026-27 and future fiscal years. See "CURRENT STATE BUDGET — Development of Revenue Estimates," "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — Health and Human Services" and CASH MANAGEMENT — Traditional Cash Management Tools."

- Inflation and Monetary Policy. U.S. and California inflation projections were revised significantly higher in the 2026-27 May Revision economic forecast as a result of the Iran war. After cutting rates three times in 2024 to a target range of 4.25 percent to 4.50 percent, the Federal Reserve held interest rates steady for much of 2025 as it evaluated the effects of tariffs on inflation and the labor market. It resumed cutting rates in September 2025 and cut again in October 2025 and December 2025, bringing the federal funds rate target range to 3.50 percent to 3.75 percent. The Federal Reserve has since held rates steady from January 2026 through July 2026, consistent with the 2026-27 May Revision economic forecast. Due mainly to inflationary pressures from the Iran war, the 2026-27 May Revision economic forecast assumes the Federal Reserve will hold rates steady until March 2027, compared to the 2026-27 Governor's Budget forecast assumption of rate cuts in June 2026 and September 2026. This

higher-for-longer rate path is expected to maintain tight financial conditions and weigh on interest-sensitive sectors such as housing and business investment. If interest rates remain elevated for longer than the projected timeline of the first rate cut in March 2027, consumption and business investment would likely grow more slowly as well.

The key risk is that inflation does not ease as assumed in the 2026-27 May Revision economic forecast. A prolonged or renewed escalation of the Iran war could keep energy prices higher for longer, while changes in tariff or immigration policy could add further price pressure through a combination of higher import costs and reduced labor supply. If inflation remains above the Federal Reserve's 2.0 percent target rate, the Federal Reserve may be reluctant to cut rates even if the labor market weakens. This would increase the risk of slower economic growth, weaker housing and business investment, reduced household purchasing power, and lower revenues than projected in the 2026-27 May Revision economic forecast.

- Risk of an Economic Recession. The 2026-27 May Revision economic forecast does not project a recession in the forecast period through 2030. All else being equal, a decline in economic activity large enough to qualify as a recession would likely reduce revenue, with the overall impact on the state's budget depending on the nature of the recession and on asset price movements. For example, the 2001 recession was relatively less severe from an economic perspective, as the state's payroll employment declined just 1.9 percent from peak to trough, but personal income, corporate income, and sales tax revenues declined by 18 percent in fiscal year 2001-02 as stock prices plunged, causing revenue from capital gains to decline significantly. Further, the high-paying technology industry contracted, which sharply reduced high-income taxpayers' earnings from irregular payments (bonuses, options, etc.). In contrast, the COVID-19 recession was deeper from an economic perspective as employment was down 7.5 percent from the February 2020 pre-pandemic level a full year after the start of the recession in March 2021, yet revenues surged in response to a technology sector boom (driven in part by the rise of remote work) and strong performance in the stock market. However, in fiscal year 2022-23, revenues from personal income, corporate income and sales tax revenues decreased by over 21 percent even while the state's economy and employment continued to expand. A larger-than-expected negative impact on the economy from the Iran war or federal policies in the areas of tariffs, immigration policy, or federal funding (or other factors) could result in a recession that would materially adversely impact General Fund revenues and/or expenditures. Further, while equity markets performed strongly in 2025 and through the first half of 2026 buoyed by the artificial intelligence sector, the market may be vulnerable to correction. The timing or magnitude of such a correction cannot be predicted but nevertheless, market volatility or a significant downturn could negatively affect household wealth, consumer confidence, and state revenues as further described below.

- Stock Market Volatility. California's revenue is significantly impacted by the stock market due to the state's progressive personal income tax structure and reliance on high-income earners. Lower stock market levels directly affect personal income tax revenue through reduced capital gains income, nonresident income, fiduciary income, and stock-based compensation in withholding. Additionally, lower stock market levels indirectly affect other personal income tax sources and corporate profits. Stock market performance was particularly volatile in 2025 in response to uncertainty on federal policies including tariff rates. On April 8, 2025, the S&P 500 closed at 4,983, which was a 19 percent decline from its prior peak of 6,144 set on February 19, 2025. However, the S&P 500 rebounded substantially from its April lows and closed at 6,845 at the end of 2025 driven in large part by large technology companies benefiting from investor enthusiasm towards artificial intelligence. The 2026 Budget Act projects that the S&P 500 will average 6,989 in 2026. Given the stock market gains are largely concentrated in a

relatively small number of companies whose stock prices have benefited from investor optimism on the future of artificial intelligence, the stock market could be vulnerable to a downturn. However, the timing or magnitude of a correction cannot be predicted. If a market downturn of more than 20 percent relative to the projections in the 2026 Budget Act were to occur in 2026, revenue could be $15 billion to $20 billion below forecast through 2026-27, even if there were no economic recession. If coupled with an economic recession, revenue could be even lower.

- Capital Gains Volatility. A significant amount of the state's tax revenue is derived from capital gains, which are largely related to stock market performance. The share of total General Fund tax revenue and transfers from capital gains revenue ranged from around 10 percent to 13 percent from fiscal year 2014-15 through fiscal year 2021-22 but has been as low as 3.4 percent in fiscal year 2009-10. Capital gains realizations were particularly strong in the immediate aftermath of the COVID-19 pandemic, reaching record highs of 13 percent and 12.8 percent of General Fund revenues and transfers in fiscal years 2020-21 and 2021-22, respectively. The revenue forecast for the 2026 Budget Act projects capital gains realizations to account for 9.8 percent of General Fund revenue and transfers in fiscal year 2024-25, 11.2 percent in fiscal year 2025-26, and 10.9 percent in fiscal year 2026-27. Capital gains, the state's most volatile revenue source, are heavily reliant on stock market performance, as well as the timing of when taxpayers choose to realize gains and the netting of gains against losses from prior years. Any sustained declines in the stock market would likely adversely affect capital gains revenues. Proposition 2 mitigates some of the state's exposure to capital gains volatility by requiring spikes in capital gains tax revenue to be used to repay the state's debts and liabilities and to be deposited in the BSA. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Sources of Tax Revenue — *Personal Income Tax*" and "— Budget Reserves."

- Personal Income Tax and Corporation Income Tax Volatility. Revenue forecasting is always subject to significant uncertainty, even if the underlying economy and stock market performance are consistent with expectations, particularly in the personal income and corporate income tax forecasts, as liability for those taxes also depends on taxpayer behavior and timing of when assets are sold as well as when credits and net operating losses are used. While the 2026 Budget Act projects near-flat growth of 0.1 percent for personal income and corporation income tax revenue, fiscal year 2026-27 revenues could still end up significantly higher or lower than projected, even if the economy and asset markets perform largely in line with expectations. Therefore, a range of revenue outcomes is possible under the economic forecast assumptions underlying the 2026 Budget Act.

- Tax Deadline Delays. There has been an increasing incidence of tax deadline delays resulting from disasters in recent years, as evidenced by the tax deadline delays following the COVID-19 pandemic as well as following the federal disaster declarations related to severe winter storms in late 2022 and early 2023, the San Diego County floods in January 2024, and the Los Angeles wildfires in January 2025. Tax deadline delays increase revenue forecasting uncertainty because the amount of cash collections that shift due to the delayed deadline is unknown, which results in challenges interpreting cash receipts and disentangling actual revenue variance from distortions caused by behavioral impacts. The 2024 Budget Act shifted the authority from the Franchise Tax Board to the state Director of Finance to determine whether and to what extent the state will conform to the federal postponement of certain tax-related deadlines when disaster relief has been granted by the IRS for a disaster declaration made by the Federal Emergency Management Agency. The 2024 Budget Act also set a process for the state to grant individualized relief equal to the federal postponement for affected taxpayers who provide documentation in cases in which the state does not conform or only

partially conforms. While this provides the state with the ability to provide more targeted relief and greater flexibility to mitigate the disruptions caused by overly broad extensions, extreme weather events and disasters have become more frequent, so widespread tax deadline delays (whether due to weather events or other reasons) and their potential negative impact on the state budget cannot be ruled out.

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

- Housing Constraints. California continues to face a critical housing shortage. The state permitted just under 100,000 residential housing units in 2024 and approximately 102,700 units in 2025, below the recent peak of about 119,500 units in 2021, which was the highest annual level since 2006. Recent permitting activity has been stronger than projected, with permits averaging 115,600 units on a seasonally adjusted annualized basis from September 2025 through April 2026, which is 16,800 units, or 17 percent, above the 2026-27 Governor's Budget forecast. Reflecting stronger recent activity, the 2026-27 May Revision forecast slightly upgraded the housing permits outlook, but still projects only modest growth, with permits increasing to about 115,500 units by 2030.

  Housing construction is still expected to face significant constraints. The largest near-term risk is the Iran war because higher energy prices increase construction and transportation costs, contribute to broader inflation, and help keep interest rates higher for longer. Elevated interest rates raise financing costs for builders and mortgage costs for buyers, limiting both housing supply and affordability. Tariffs are an additional risk because they can raise the cost of construction materials and lead to project delays or cancellations, but their effect is more targeted than the broader energy-price inflation, and interest-rate effects from the Iran war. These pressures could worsen affordability for low- and moderate-income Californians, who are already most exposed to rent and home price increases. High housing costs can also affect business location decisions if workers and customers cannot afford to live near job centers. The January 2025 Los Angeles County fires destroyed about 11,000 housing units, putting upward pressure on rents and home prices in Los Angeles County and nearby areas. Rebuilding may also face labor and materials constraints.

  Federal immigration policy is another risk for housing construction because a sizeable share of the state's construction workforce is estimated to be undocumented. Increased enforcement or deportations could reduce labor availability, delay rebuilding and new construction, and increase labor costs. Taken together, stronger recent permitting is encouraging, but the state's housing shortage remains a significant economic risk because construction is still constrained by elevated financing costs, energy and material costs, labor availability, and the state's existing structural shortage of housing.

- Debts and Liabilities. Since the end of the Great Recession in 2009, the state implemented plans to pay down the remaining unfunded portions of all major state pension and retiree healthcare liabilities over the next three decades (See "DEBTS AND LIABILITIES UNDER PROPOSITION 2"). The state's past budget challenges had often been addressed by the use of debt, deferrals, and budgetary obligations accumulated during periods of economic recession in the prior two decades. While these prior debts and liabilities were repaid, the 2024 and 2025

Budget Acts did utilize such tools as internal borrowing, deferral of state employee payroll costs and delays in repayment of certain loans authorized in fiscal years 2024-25 and 2025-26 as budget solutions. There can be no assurance that any current or future budget challenges would not require additional borrowing. The state still faces hundreds of billions of dollars in long-term pension and retiree healthcare cost pressures. See "STATE FINANCES — OTHER ELEMENTS — Retiree Health Care Costs," "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — Health and Human Services — *Medi-Cal*" and EXHIBIT 1 — "PENSION SYSTEMS."

- Climate Change. Historically, the state has been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate, climate change will intensify and increase the frequency of extreme weather events, such as coastal storm surges which may lead to significant beach erosion, drought, wildfires, floods, land slides and heat waves, as well as rising sea levels along the coast. Over the past several years, the state has already experienced the impacts of climate change through a multi-year drought, flooding, and unprecedented wildfires, such as the significant Los Angeles wildfire events of January 2025. The state experienced a five-year drought from 2012 to 2016 and recently suffered a multi-year drought that ended in early 2023, following winter storms. Dry weather increases wildfire risk, and future drought conditions may impact future economic forecasts. Hotter and drier weather conditions spurred by climate change could reduce California's water supply by up to 10% by the year 2040. The Administration has taken actions to address drought conditions, including encouraging water conservation, facilitating water management where possible, and providing funding for critical water infrastructure projects. In addition, in July 2026, the U.S. Bureau of Reclamation released a proposed operating framework for the Colorado River, historically a significant source of water for Southern California. The framework establishes sideboards on operations for the next ten years. It does not conclude the Basin States' negotiations, predetermine specific operating decisions, including Lake Powell releases or shortages, or serve as the operating plan itself. Operating plans with specific parameters will be developed in two-year increments, allowing decisions to respond to changing hydrology within the sideboards of the framework released by the U.S. Bureau of Reclamation. The immediate next step is the federal release of the operating plan for 2027 and 2028. On May 1, 2026, the Lower Basin states proposed a specific path forward, and California, Arizona and Nevada remain actively engaged in carrying that work into this next phase. The Lower Basin's proposal included 3.2 million acre-feet of conservation through 2028, including 1.25 million acre-feet of binding reductions in both 2027 and 2028 and at least 700,000 acre-feet of additional conservation.

  During the 2022-23 winter, the state experienced significant storms leading to severe flooding in various locations throughout the state, and by April 2023 the flooding had caused the state to declare emergencies in 51 of the state's 58 counties. The fiscal year 2022-23 winter storms brought historic levels of snow, and the associated snowmelt as temperatures increased through the spring resulted in significant flooding in various regions of the state. The state also continues to support a comprehensive approach to water management intended to be responsive to drastic shifts in precipitation levels caused by climate change.

  All these factors create challenges for regional growth, especially if water is not available, and wildfires and flooding continue to be destructive. The cumulative impacts of these destructive events on housing increases the demand for construction resources for rebuilding and worsens the state's housing imbalances for years following the incidents. Further, as mentioned above, the winter storms in recent years followed by the destructive wildfires in Los Angeles in January 2025 have demonstrated the unpredictable impact of climate change on the state.

The increasing frequency of natural disasters within the state, particularly wildfires, has led to rising home insurance premiums, as well as some insurers either limiting or discontinuing issuance of policies, which could further weaken housing development in the state and exacerbate the ongoing housing shortage. Additional significant costs incurred by insurance companies could likely get passed down to existing or prospective policyholders in the form of higher premiums or temporary surcharges, which exacerbate the state's lack of housing affordability.

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

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

- Cybersecurity Risks. The state, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. The state's reliance on this environment has increased due to higher rates of telework as initially mandated by public health measures during the COVID-19 pandemic. As a recipient and provider of personal, private, and/or sensitive information, the state is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. The increasing sophistication of cyber threats, including the use of artificial intelligence to automate and enhance attacks, may further increase the risk and potential severity of such incidents. Entities or individuals may attempt to gain unauthorized access to the state's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. For example, in December 2022, the Department of Finance experienced a significant cyber intrusion. While there were short term disruptions to the department's operations, there was no impact to the security of the state's funds or fiscal operations. The statewide Security Operations Center established in 2017 to protect against malicious activity targeting critical technology infrastructure and coordinate activities of the California Office of Emergency Services, the California Highway Patrol, the Department of Technology and the Department of Military plays a critical role in investigating and recovering from cyber attacks. No assurances can be given that the state's efforts to manage future cyber threats and attacks will be as successful or that any such attack will not materially impact the operations or finances of the state.

- Pandemics. The 2026-27 May Revision economic forecast does not assume additional or future major disruptions to national and international economies caused by COVID-19, another pandemic, or other public health emergency. Nevertheless, a new pandemic or a surge in COVID-19 cases such as from a more severe new variant could slow labor force and

employment growth and cause supply chain disruptions like fiscal year 2020-21, among other negative impacts. No assurances can be given that the state would receive federal aid like the aid it received in 2020 and 2021 in the case of a future pandemic.

DEBTS AND LIABILITIES UNDER PROPOSITION 2

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

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

The 2026 Budget Act applies the Proposition 2 debt repayment funding to: (1) repayment of the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS ($556 million), as further described below, and (2) a supplemental pension payment toward the unfunded liability of respective CalPERS state plans ($3 billion).

The 2025 Budget Act used Proposition 2 debt repayment funding to prefund state retiree health benefits ($13 million), make a repayment toward the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS ($590 million), and make two supplemental pension payments toward the unfunded liability of the state employee pension plans ($956 million).

The total amount of Proposition 2 debt repayment since 2017-18 (inclusive of the 2026 Budget Act) is $19.6 billion, primarily allocated as follows: (1) $2.8 billion to prefund state retiree health benefits, (2) $3.9 billion towards repaying the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS, (3) $10.8 billion in supplemental pension payments toward the unfunded liability of CalPERS state plans and (4) $1.8 billion in supplemental pension payments toward the unfunded liability of CalSTRS state plans.

Pursuant to Senate Bill 84, Chapter 50, Statutes of 2017, the 2017-18 Budget included a $6 billion supplemental pension payment to CalPERS from proceeds of a loan from the Surplus Money Investment Fund ("SMIF") (a state fund managed by the State Treasurer's Office as part of the Pooled Money Investment Account to invest surplus cash from funds held by state departments) that is expected to reduce unfunded liabilities and stabilize state contribution rates (the "SB 84 Loan"). As of the 2026 Budget Act, the Department of Finance projects the supplemental pension payment will save an estimated $6.0 billion (net of principal and interest on the SB 84 Loan) in state contributions to CalPERS from all state funded sources through fiscal year 2037-38.

The amount of estimated savings allocable to each such fund will generally be proportionate to its share of the payments on the SB 84 Loan. Approximately half of the total SB 84 Loan payments are expected to come from the General Fund. The state will realize savings if the supplemental pension payment

invested by CalPERS earns a higher return than the interest required to be paid on the loan. The projected savings are based on CalPERS achieving its assumed rate of return, which exceeds the projected interest rate on the SB 84 Loan. There is a risk that the difference between CalPERS returns and the interest rate on the loan (as described below) will be less, perhaps significantly, than projected in any given year. This occurrence, if not otherwise offset by a difference between CalPERS returns and the interest rate on the loan greater than estimated over the life of the loan, could result in a lower than anticipated benefit to the state as compared to the estimate. The SB 84 Loan will be repaid at a variable interest rate, equal to the quarter-to-date yield at the two-year constant maturity U.S. Treasury rate.

The SB 84 Loan is required to be repaid from the General Fund and other funds no later than June 30, 2030. From fiscal year 2017-18 through fiscal year 2025-26, a total of $3.9 billion in General Fund principal and interest repayments have been made. The General Fund's share of the repayment of the SB 84 Loan over the expected term of the loan is eligible under the Proposition 2 debt repayment requirements, as reflected in Table 6. The remaining balance is to be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment.

TABLE 6
Debts and Liabilities under Proposition 2
2026 Budget Act
(Dollars in Millions)

		Fiscal Year			
	Outstanding Amount July 1, 2026[a]	**2026-27 Pay Down**	**Projected 2027-28 Pay Down**	**Projected 2028-29 Pay Down**	**Projected 2029-30 Pay Down**
State Retirement Liabilities (Unfunded Actuarial Estimate)					
State Retiree Health	$77,818	$ 0	$ 399	$ 427	$ 440
State Employee Pensions — SB 84 Loan[b]	0	556	556	556	556
State Employee Pensions[c]	64,088[d][e]	3,018	2,441	2,140	1,872
Teachers' Pensions	85,532[f]	0	0	0	0
Judges' Pensions	2,163	0	0	0	0
Total	**$ 229,601**	**$ 3,574**	**$ 3,396**	**$ 3,123**	**$ 2,868**

[a] These amounts reflect unfunded actuarial liabilities measured as of June 30, 2024 for State Employee Pensions and Teachers' Pensions, and as of June 30, 2025 for the State Retiree Health and Judges' Pensions.

[b] As of July 1, 2026, the outstanding principal balance of the SB 84 Loan from all funds was $800.1 million. The outstanding balance does not include the interest cost on the loan, which is calculated using the quarterly 2-year constant maturity U.S. Treasury rate. The pay down amounts reflect the repayment of the General Fund's share of the $6 billion SB 84 Loan described in this section. The first column of this table reflects estimates of unfunded actuarial state retirement liabilities. The outstanding amount of the SB 84 Loan is not an estimate of unfunded actuarial state retirement liabilities and, accordingly, the outstanding balance of the SB 84 Loan is not included in that column.

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

[d] The amount includes the unfunded liability for the 1959 Survivor Benefit Program, which is an estimated $26.6 million as of June 30, 2024.

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

[f] The state portion of the unfunded liability for teachers' pensions is $10.169 billion.

LITIGATION

Introduction

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

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

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

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

Action Regarding Proposition 98 School Funding

In *California School Boards Association v. Joe Stephenshaw, et al*. (Sacramento County Superior Court, Case No. 24WM000146; California Court of Appeal, Third Appellate District, Case No. C105101), Petitioners contend that recent amendments (SB 153) to Education Code section 41206.04, subdivision (d), violate Proposition 98's minimum funding guarantee for schools. Proposition 98's minimum funding guarantee is calculated by application of one of the three tests. Tests 2 and 3 consider the "total amount" of "allocations to school districts and community college districts from General Fund proceeds" in the prior fiscal year. SB 153's amendments require the state Director of Finance, in years where the state's collection of tax revenues is delayed, to exclude appropriations made in excess of the minimum funding guarantee from the "allocations" considered under Tests 2 and 3. Petitioners contend that this change is an unconstitutional amendment of Proposition 98's requirements, which will result in an unlawful reduction of constitutionally required school funding. On September 11, 2025, the trial court denied Petitioners' petition for writ of mandate and dismissed their complaint for declaratory relief. The trial court entered judgment on October 15, 2025. The matter is on appeal. At this time, it is unknown what future financial impact this litigation may have on the state's General Fund.

Palisades Fire Litigation

In *Grigsby v. State of California, et al.* and related cases (Los Angeles County Superior Court, Case No. 25STCV00832 (lead case)), approximately 30,000-plus plaintiffs sued the state and others. The cases arise out of the January 2025 Palisades fire. Plaintiffs claim the state, by and through its Department of Parks and Recreation, improperly owned, operated, controlled and/or maintained Topanga State Park by allowing embers from the Lachman fire on January 1, 2025, to smolder in dry brush during a predicted Santa Ana wind event under Red Flag Warning conditions, particularly in the presence of overgrown and dry chaparral. Plaintiffs allege that this ongoing underground smoldering/burning continued until January 7, 2025, wherein it rekindled resulting in the Palisades fire. Plaintiffs also allege the state defendants failed to contain the fire allowing it to escape into the Pacific Palisades and Malibu. On February 5, 2026, the City

of Los Angeles filed and served a cross-complaint against the state, which was dismissed without prejudice. Other entity defendants have presented claims for equitable indemnity and contribution against the state, and currently propose tolling agreements on the filing of cross-complaints. The matter is currently being litigated as to plaintiffs' claims of dangerous condition of public property, and discovery is ongoing. At this time, it is unknown what future financial impact this litigation may have on the state's General Fund.

Coordinated Proceeding Concerning the California Department of Corrections and Rehabilitation

Judicial Council Coordinated Proceeding 5276 (JCCP5276) (Sacramento County Superior Court, Case No. JCCP5276) is a coordinated state action involving over 3,800 plaintiffs who have sued the state and individual employees of the California Department of Corrections and Rehabilitation ("CDCR"). CDCR anticipates a significant increase in the number of complaints by the end of calendar year 2026. All complaints stem from allegations of staff sexual misconduct in prisons that currently or previously housed female incarcerated persons. Plaintiffs generally allege sexual assault, sexual battery, gender violence, and intentional infliction of emotional distress against current and former CDCR employees as well as failure to summon medical care and violation of the Bane Act against the state, by and through CDCR. As of October 2025, litigation is stayed with limited exceptions. Plaintiffs' motion for leave to amend the coordinated complaint to add new defendants and causes of action, including supervisory negligence claims, is pending. The parties recently began discussing a potential mediation framework for this matter. At this time, it is unknown what future financial impact this litigation may have on the state's General Fund.

Action Regarding Proposition 98 Settle-Up Procedures

The following information relates to purported litigation with respect to which, to the state's knowledge, service of process on the state has not been completed:

The California Teachers Association publicly announced on September 15, 2026, that it filed a lawsuit contending that the state violated Article XVI, section 8 of the California Constitution (Proposition 98) by deliberately appropriating less than the calculated minimum funding guarantee for schools and community colleges during fiscal years 2024-25 and 2025-26, $1.9 billion and $3.9 billion, respectively, without suspending the minimum guarantee as required by section 8(h), and that the state's characterization of these shortfalls as "settle-up" obligations misapplies Education Code sections 41206 through 41206.03. The California Teachers Association seeks a writ of mandate requiring "full funding" of the fiscal year 2025-26 minimum guarantee, declaratory relief, and prospective relief prohibiting the state from withholding funding below the calculated minimum guarantee in future fiscal years. At this time, it is unknown what future financial impact this litigation may have on the state's General Fund.

FINANCIAL STATEMENTS

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025 (the "2025 Annual Comprehensive Financial Report") was released on May 12, 2026. It is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2025 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor's Report, Management's Discussion and Analysis, and the Basic Financial Statements. The Financial Section also contains required supplementary information and combining financial statements and schedules. Only the Basic Financial Statements have been audited, as described in the Independent Auditor's Report. A description of the accounting and financial reporting standards set by the Governmental Accounting Standards Board and used in the Basic Financial Statements is contained in Note 1 of the Basic Financial Statements.

In accordance with state law, each year the State Auditor's Office releases an audit report concerning its review of the state's basic financial statements. As set forth in more detail in the 2025 Annual Comprehensive Financial Report, including the Independent State Auditor's Report contained therein, the California State Auditor (the "State Auditor") issued an unmodified opinion on each of the components of the Basic Financial Statements, including the General Fund.

The State Auditor issued modified opinions on certain components of the State of California Annual Comprehensive Financial Reports for the Fiscal Years ended June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, but, in each case, issued an unmodified opinion on the General Fund. The modified opinions were the result of financial accounting and reporting challenges experienced by the state's Employment Development Department ("EDD"), specifically inadequate internal control over its financial reporting for unemployment benefits. See "STATE FINANCES — OTHER ELEMENTS — Unemployment Insurance."

According to the Independent State Auditor's Report, the financial statements contained in the 2025 Annual Comprehensive Financial Report present fairly, in all material respects, the respective financial position of each major fund.

On May 15, 2026, the State Auditor's Office issued its report titled "State of California Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2025" (the "Auditor's 2025 Internal Control and Compliance Report"). The Auditor's 2025 Internal Control and Compliance Report is available on the website of the State Auditor at https://www.auditor.ca.gov. This report is not part of or incorporated into APPENDIX A.

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

In connection with the release of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, State Controller Malia Cohen noted that since 2018, the state's Annual Comprehensive Financial Report has been released well beyond March 31 of the subsequent fiscal year. The cumulative impact of the delays in the completion of prior years' reports resulted in a delay in the issuance of the 2025 Annual Comprehensive Financial Report beyond the targeted filing date of March 31, 2026. The 2025 Annual Comprehensive Financial Report was released on May 12, 2026. This marked the first time in eight years that the state's Annual Comprehensive Financial Report was released before the Legislature and the Governor finalized the budget for the upcoming fiscal year.

The 2025 Annual Comprehensive Financial Report describes certain financial information of the state as of June 30, 2025. This Appendix A contains more current financial information relating to the General Fund essential to making an informed investment decision. Potential investors are therefore advised to read the entire Appendix A, including without limitation "RECENT DEVELOPMENTS," "CURRENT STATE BUDGET," "ECONOMIC AND BUDGET RISKS," "STATE DEBT TABLES," and EXHIBIT 1 — "PENSION SYSTEMS."

In addition, the State Controller issues a monthly report on General Fund cash receipts and disbursements. These reports are available on the State Controller's website and are normally released by the 10th day of every calendar month for the period ended on the last day of the prior month. The State Controller's unaudited reports of General Fund cash receipts and disbursements for the periods July 1, 2025 through June 30, 2026, and July 1, 2026 through August 31, 2026, are included as EXHIBIT 2 to APPENDIX A. If the State Controller issues such a monthly report between the date on which a preliminary offering document for the securities offered in connection with this APPENDIX A is delivered and the date

on which the related final offering document is delivered, such monthly report will be included in such final offering document.

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

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PART II

STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES

The Budget Process

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

The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under state law and the state Constitution, the annual Governor's Budget proposal cannot provide for projected expenditures in excess of projected resources for the ensuing fiscal year. Following the submission of the proposed Governor's Budget, which is updated and revised by May 14 each year, the Legislature takes up the proposal. The voter-approved Balanced Budget Amendment (Proposition 58) requires the Legislature to pass a balanced budget bill, which means that for the ensuing fiscal year, projected General Fund expenditures must not exceed projected General Fund revenues plus the projected beginning General Fund balance. Those projections must be set forth in the budget bill. Proposition 58 also provides for mid-year adjustments in the event the budget falls out of balance and the Governor calls a legislative special session to address the shortfall. The use of general obligation bonds, revenue bonds, and certain other forms of borrowing are prohibited to cover fiscal year end budget deficits. The restriction does not apply to certain other types of borrowing, such as: (i) short-term borrowing to cover cash shortfalls in the General Fund (including RANs or RAWs as described in "CASH MANAGEMENT — Traditional Cash Management Tools"), or (ii) inter-fund borrowings.

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

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

The General Fund

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

The General Fund is the principal operating fund for most governmental activities and is the depository of most of the major tax revenue sources of the state. For additional financial information on the General Fund, see the State Controller's unaudited report of General Fund cash receipts and disbursements

attached to APPENDIX A as EXHIBIT 2. See also the other information in "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES" and "FINANCIAL STATEMENTS."

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

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

Restrictions on Raising or Using General Fund Revenues

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

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

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

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

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

Proposition 63, approved by the voters in 2004, imposed a 1 percent tax surcharge on taxable income above $1 million for purposes of funding and expanding behavioral health services. Proposition 63 prohibits the Legislature or the Governor from redirecting these funds or from reducing General Fund support for behavioral health services below the levels provided in fiscal year 2003-04. In November 2024, the voters approved changes to the use of these funds in Proposition 1, which was placed on the ballot by the Legislature.

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

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

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

In the future, additional laws and constitutional amendments may be enacted, including by voter initiative, which could place additional limitations on the ability of the state to increase and/or collect taxes or fees, or otherwise restrict the use of the General Fund (which could include changes in the priority of payments from the General Fund or special fund revenues), or otherwise limit the Legislature and the Governor's discretion in enacting budgets. See "OVERVIEW — General Fund Revenues, Expenditures, and Cash Management" for a description of certain measures to be considered by the voters at the November 3, 2026, statewide general election.

Sources of Tax Revenue

The 2026 Budget Act forecast reflects higher General Fund revenues relative to the 2026-27 Governor's Budget, due mainly to higher personal income tax revenue from a spike in 2025 capital gains realizations that provided a significant boost to fiscal year 2025-26 revenues. In total, General Fund revenues excluding transfers and including policy changes increased by $1.5 billion in fiscal year 2024-25, $11.2 billion in fiscal year 2025-26, and $6.3 billion forecast for fiscal year 2026-27 compared to the Governor's Budget. Personal income tax revenues were revised higher by $13.6 billion, corporation tax revenues were revised higher by $4 billion (includes an increase of $975 million in fiscal year 2026-27 from tax policy changes), and sales and use tax revenues were revised higher by $684 million (includes an increase of $440 million from tax policy changes). These figures include changes to the PTET forecast. The PTET itself decreased personal income tax revenues by $2.2 billion and increased corporation tax revenues by $4.3 billion compared to the Governor's Budget. As discussed in further detail later in this section, the PTET allows taxpayers to pay a tax at the business entity level and generate a dollar-for-dollar personal income tax credit. While the program is largely revenue neutral on net over the long-term, the personal income tax credit use often lags when payments are made, which can create a near-term mismatch.

The California economy has generally remained resilient in the face of multiple shocks, including frequently shifting tariff policy, more restrictive immigration policy, and the evolving Iran war, all of which have increased uncertainty, raised costs, or constrained labor supply. As a result, while the economic forecast reflects some near-term weakness due to the Iran war, it continues to project modest economic

growth largely in line with the 2026-27 Governor's Budget forecast, and its overall impact on the revenue forecast throughout the entire budget window is roughly neutral.

The 2026 Budget Act includes the following tax changes:

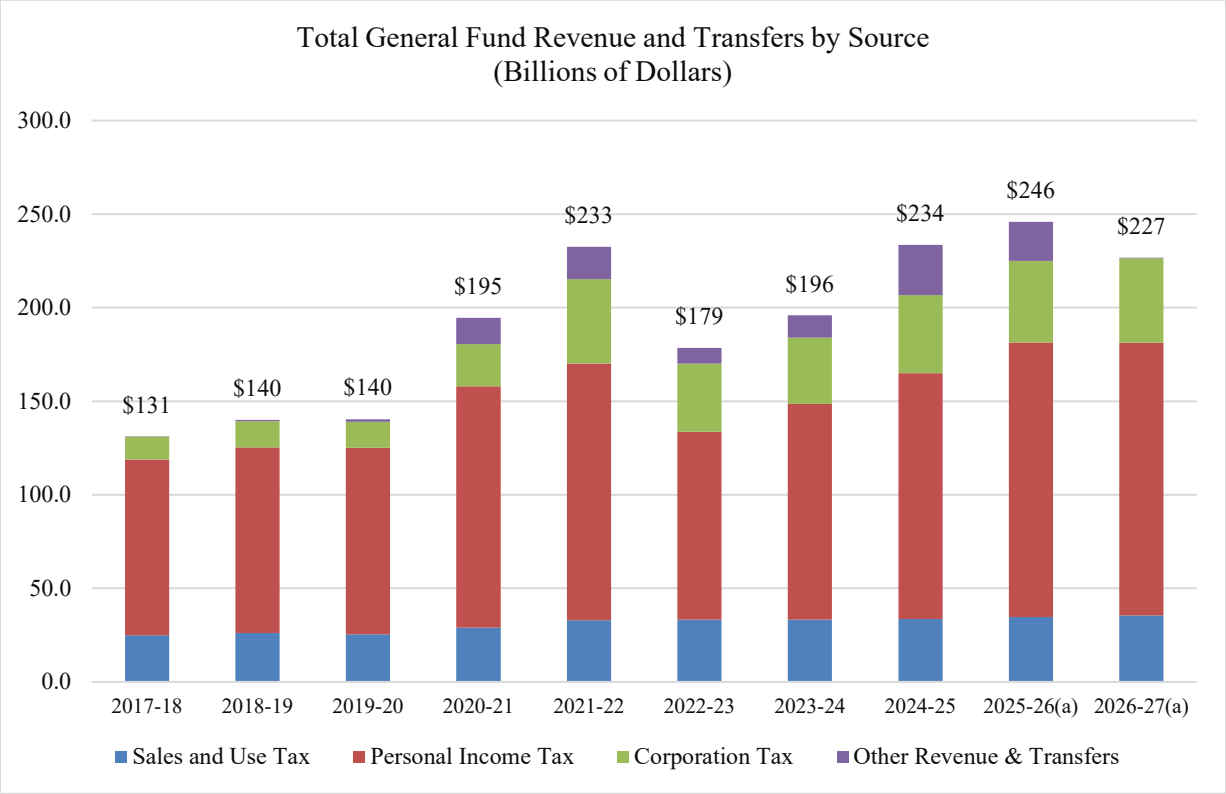
- Effective January 1, 2027, extends the existing sales tax on prewritten software delivered on a tangible medium to electronically delivered prewritten software.
- Extends the existing 3-year tax credit limitation of $5 million per year for an additional 3 years from 2027 through 2029, followed by a permanent tax credit limitation of the greater of $5 million or 70 percent of a business's tax liability beginning in 2030.
- Reduces the annual tax from $800 to $400 for tax years 2027, 2028, and 2029 for limited liability companies ("LLCs"), limited liability partnerships ("LLPs"), and limited partnerships ("LPs") in their first year of operation.
- Provides $500 million for an additional year of low-income housing tax credits.
- Conforms to federal tax treatment of the new tax-advantaged federal savings accounts for children established under H.R. 1, providing that the state will not tax contributions or earnings in these accounts consistent with federal treatment.
- Extends the California Competes Tax Credit program for five years from fiscal years 2028-29 through 2032-33.

The estimated cumulative General Fund revenue impact from these proposals is a $1.4 billion projected increase in fiscal year 2026-27 (increases of $975 million corporation tax and $450 million sales tax).

The following is a summary of the state's major tax revenues and transfers. In fiscal years 2025-26 and 2026-27, similarly to recent years, most of the state's General Fund revenues and transfers are projected to be derived from three sources: personal income taxes, sales and use taxes, and corporation taxes. For a ten-year period, the bar chart and table below show total General Fund revenues and transfers by the three major revenue sources, and all other revenues and transfers, including net transfers from the General Fund to the BSA in fiscal years 2017-18, 2018-19, 2019-20, 2021-22, 2023-24, and 2026-27 and to the Safety Net Reserve Fund ("SNRF") in fiscal years 2018-19, 2020-21, and 2021-22. In fiscal year 2026-27 there is a deposit to the Projected Surplus Temporary Holding Account to set aside funds to support fiscal year 2027-28 expenditures. Transfers to the BSA, SNRF, and Projected Surplus Temporary Holding Account are represented as reductions to total General Fund revenues and transfers. Additionally, there are net transfers to the General Fund from the BSA in fiscal years 2020-21, 2024-25, and 2025-26, and from the Coronavirus Fiscal Recovery Fund of 2021 and the SNRF to the General Fund in fiscal year 2024-25. These transfers, also referred to as withdrawals, represent increases in total General Fund revenues and transfers.

Cost recovery revenues, primarily related to federal reimbursements of expenses related to the COVID-19 pandemic and wildfires are expected to positively impact General Fund revenues and transfers by $3.1 billion in fiscal year 2024-25, $1.3 billion in fiscal year 2025-26, and $752 million in fiscal year 2026-27. General Fund revenues and transfers in fiscal year 2024-25 increased by $4.6 billion in net transfers from the BSA to the General Fund, by a $900 million transfer from the SNRF to the General Fund, by $6.2 billion in transfers from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund, and by $538 million in net loans and loan repayments to the General Fund from special funds. General Fund revenues and transfers in fiscal year 2025-26 are increased by $1.3 billion in net loans and loan repayments from special funds to the General Fund and a $7.1 billion transfer from the BSA to the General Fund.

General Fund revenues and transfers in fiscal year 2026-27 decreased by a $3.6 billion transfer from the General Fund to the BSA, $1 billion in net loans and loan repayments from the General Fund to special funds, and a transfer of $6.4 billion to the Projected Surplus Temporary Holding Account. For additional information regarding the BSA and Projected Surplus Temporary Holding Account, see "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves — Budget Stabilization Account ("BSA")." See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Sources of Tax Revenue — Budget Reserves — Projected Surplus Temporary Holding Account."



(a) Projected.

Note: Chart reflects transfers from the General Fund to the BSA of $4.1 billion in fiscal year 2017-18, $3.2 billion in fiscal year 2018-19, $3.4 billion in fiscal year 2019-20, $5.1 billion in fiscal year 2020-21, $7.1 billion in fiscal year 2021-22, $1.5 billion in fiscal year 2023-24, $328 million in fiscal year 2024-25, and $3.6 billion in fiscal year 2026-27. The chart also reflects a withdrawal from the BSA of $7.8 billion in fiscal year 2020-21 (resulting in a net withdrawal from the BSA in fiscal year 2020-21 of $2.7 billion), $4.9 billion in fiscal year 2024-25 (resulting in a net withdrawal from the BSA in fiscal year 2024-25 of $4.6 billion), and $7.1 billion in fiscal year 2025-26. The chart also reflects a deposit of $900 million to the SNRF in fiscal year 2018-19, a withdrawal of $450 million to the General Fund from the SNRF in fiscal year 2020-21, a deposit of $450 million to the SNRF in fiscal year 2021-22, and a withdrawal of the full amount available in the SNRF ($900 million) in fiscal year 2024-25. The chart also reflects a transfer of $6.2 billion from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund in fiscal year 2024-25. The chart also reflects a transfer of $6.4 billion from the General Fund to the Projected Surplus Temporary Holding Account in fiscal year 2026-27. Deposits reduce General Fund revenues and transfers by the amounts of the deposits, while withdrawals increase General Fund revenues and transfers by the amounts of the withdrawals.

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

Fiscal Year	Personal Income Tax[b]		Sales and Use Tax[b]		Corporate Income Tax[c]		Other Revenues and Transfers[d][e][f]		Total
2017-18	$ 93,776	71.5%	$ 24,974	19.0%	$ 12,313	9.4%	$ 53	0.0%	$131,116
2018-19	99,189	70.8	26,150	18.7	14,075	10.0	645	0.5	140,060
2019-20	99,599	70.9	25,509	18.2	13,954	9.9	1,339	1.0	140,400
2020-21	128,856	66.2	29,073	14.9	22,591	11.6	14,055	7.2	194,575
2021-22	137,144	59.0	33,026	14.2	45,128	19.4	17,238	7.4	232,537
2022-23	100,451	56.3	33,324	18.7	36,337	20.4	8,446	4.7	178,557
2023-24	115,166	58.8	33,339	17.0	35,456	18.1	11,917	6.1	195,879
2024-25	131,328	56.2	33,596	14.4	41,757	17.9	26,958	11.5	233,639
2025-26[a]	146,847	59.7	34,588	14.1	43,662	17.8	20,719	8.4	245,817
2026-27[a]	145,609	64.2	35,598	15.7	45,167	19.9	381	0.2	226,754

[a] Projected.

[b] Reflects the passage of Proposition 30 (2012), which temporarily increased tax rates on the highest income Californians through December 31, 2018. Proposition 55 (2016) extended the three personal income tax brackets added by Proposition 30 through tax year 2030. For fiscal year 2020-21, includes -$2.9 billion for tax refunds related to Golden State Stimulus I ("GSS I"). Personal income tax figures reflect -$19.0 billion in fiscal year 2021-22, -$15.6 billion in fiscal year 2022-23, -$15.8 billion in fiscal year 2023-24, -$16.7 billion in fiscal year 2024-25, -$17.8 billion in fiscal year 2025-26, and -$18.5 billion in fiscal year 2026-27 for tax credits related to the PTET.

[c] Reflects the passage of Proposition 39, approved by the voters in 2012, which requires single sales factor apportionment for most multi-state businesses. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Sources of Tax Revenue — Corporation Tax." Reflects the suspension of net operating losses and the limitation on the use of business incentive tax credits for tax years 2020, 2021, 2024, 2025, and 2026, as well as a limitation on business incentive tax credits (but not a suspension of net operating losses) beginning in 2027. Reflects $20.5 billion in fiscal year 2021-22, $16.9 billion in fiscal year 2022-23, $17 billion in fiscal year 2023-24, $17.6 billion in fiscal year 2024-25, $18.4 billion in fiscal year 2025-26, and $19.1 billion in fiscal year 2026-27 related to the PTET.

[d] Reflects transfers between the General Fund and the BSA for rainy day purposes and transfers between the General Fund and the SNRF. Fiscal year 2020-21 includes a $7.8 billion withdrawal from the BSA, a $5.1 billion deposit into the BSA, and a $450 million withdrawal from the SNRF. Fiscal year 2021-22 includes a $7.1 billion deposit into the BSA and a transfer of $450 million to the SNRF. Fiscal year 2022-23 does not include transfers into the BSA or SNRF. Fiscal year 2023-24 includes a $1.5 billion deposit to the BSA. Fiscal year 2024-25 includes a $4.6 billion net withdrawal from the BSA, a $900 million withdrawal from the SNRF, and a $6.2 billion transfer from the Coronavirus Fiscal Recovery Fund 2021. Fiscal year 2025-26 includes a $7.1 billion withdrawal from the BSA. Fiscal year 2026-27 includes a $3.6 billion deposit into the BSA and a $6.4 billion deposit into the Projected Surplus Temporary Holding Account.

[e] Includes cost recovery revenues which positively impact General Fund revenues and transfers by $2.1 billion in fiscal year 2023-24, $3.1 billion in fiscal year 2024-25, $1.3 billion in fiscal year 2025-26, and $752 million in fiscal year 2026-27. These revenues are almost entirely due to federal reimbursements for state spending on disasters and the COVID-19 pandemic.

[f] Net loans and loan repayments to the General Fund from special funds result in an increase of $1.9 billion in fiscal year 2020-21, a decrease of $861 million in fiscal year 2021-22, a decrease of $1.1 billion in fiscal year 2022-23, an increase of $1.5 billion in fiscal year 2023-24, an increase of $538 million in fiscal year 2024-25, an increase of $1.3 billion in fiscal year 2025-26, and a decrease of $1 billion in fiscal year 2026-27. Decreases represent net losses to the General Fund.

Source: State of California, Department of Finance.

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1. *Personal Income Tax*

California personal income tax ("PIT") is imposed on net taxable income; that is, gross income less exclusions and deductions, with rates ranging from 1 percent to 12.3 percent. In addition, the state imposes a 1 percent surcharge on taxable income above $1 million and dedicates the proceeds from this surcharge to the state's Behavioral Health Services Fund (formerly the Mental Health Services Fund). The PIT brackets, along with other tax law parameters (not including the 1 percent surcharge), are adjusted annually for inflation. Personal, dependent, and other credits are allowed against the gross tax liability. Taxpayers may be subject to the state's alternative minimum tax ("AMT"). California's PIT structure is highly progressive. For example, the Franchise Tax Board ("FTB") estimates that the top 1 percent of state income taxpayers paid 40.2 percent of the state's total PIT in tax year 2024, the latest tax year for which data is available.

Proposition 30 and Proposition 55, passed in 2012 and 2016, respectively, provided for a 1 percent increase in the PIT rate for joint filing taxpayers with income above $500,000 and equal to or below $600,000; a 2 percent increase for incomes above $600,000 and equal to or below $1,000,000; and a 3 percent increase for incomes above $1,000,000 in calendar years 2012 to 2030. For single filers these tax rate increases start at incomes one-half those for joint filers. The brackets for these higher rates are indexed for inflation each year, with the income thresholds for joint filers at $742,958, $891,542, and $1,485,906, respectively, for the rates above for tax year 2025. The 2026 Budget Act projects the revenue from these additional tax brackets to be $13.5 billion in fiscal year 2024-25, $14.2 billion in fiscal year 2025-26, and $14.1 billion in fiscal year 2026-27.

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The next table shows actual and projected PIT revenues for ten fiscal years, including a breakout of capital gains income tax revenue:

TABLE 8
Personal Income Tax General Fund Revenues
(Includes Percentage of Total General Fund Revenues and Transfers)
(Dollars in Millions)

Fiscal Year[a][b]	Capital Gains		All Other PIT		Total PIT	
2017-18	$ 14,457	11.0%	$ 79,319	60.5%	$93,776	71.5%
2018-19	15,082	10.8	84,107	60.1	99,189	70.8
2019-20	16,274	11.6	83,324	59.3	99,599	70.9
2020-21[c]	25,235	13.0	103,621	53.3	128,856	66.2
2021-22[e]	29,824	12.8	107,321	46.2	137,144	59.0
2022-23[e]	14,622	8.2	85,829	48.1	100,451	56.3
2023-24[e]	15,034	7.7	100,131	51.1	115,166	58.8
2024-25[d][e]	22,851	9.8	108,477	46.4	131,328	56.2
2025-26[d][e]	27,424	11.2	119,423	48.6	146,847	59.7
2026-27[d][e]	24,703	10.9	120,905	53.3	145,609	64.2

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

[b] Reflects a reduction of revenues due to the Earned Income Tax Credit, the Young Child Tax Credit, and the Foster Youth Tax Credit of $348 million in fiscal year 2017-18, $397 million in fiscal year 2018-19, $1.1 billion in fiscal year 2019-20, $1.3 billion in fiscal year 2020-21, $1.1 billion in fiscal year 2021-22, $1.3 billion in fiscal year 2022-23, $1.4 billion in fiscal year 2023-24, $1.4 billion in fiscal year 2024-25, $1.5 billion in 2025-26, and $1.5 billion in fiscal year 2026-27.

[c] Reflects a reduction of revenues of $2.9 billion in fiscal year 2020-21 due to tax refunds issued related to GSS I.

[d] Estimated. For fiscal year 2024-25, only the portion of total PIT attributable to capital gains remains subject to possible further revision.

[e] Reflects a decrease in revenues of $19 billion in fiscal year 2021-22, $15.6 billion in fiscal year 2022-23, $15.8 billion in fiscal year 2023-24, $16.7 billion in fiscal year 2024-25, $17.8 billion in fiscal year 2025-26, and $18.5 billion in fiscal year 2026-27 from the PTET. See "Corporation Tax" below.

Source: State of California, Department of Finance. Calendar year capital gains revenues are based on actual capital gains realizations for 2017 through 2024 and are estimated for 2025 and forward. Fiscal year totals for capital gains shown in this table are estimated by adding 70 percent of calendar year total in the first half of the fiscal year to 30 percent of the calendar year total in second half of the fiscal year.

Income taxes on capital gains realizations, which are linked to stock market and real estate performance, can add significant volatility to PIT receipts. Although it is not shown in the above table, during the Great Recession capital gains tax receipts dropped from nearly $9 billion in fiscal year 2007-08 to just under $3 billion in fiscal year 2009-10, a 67 percent decline. In fiscal year 2021-22, capital gains tax receipts peaked at nearly $30 billion and represented 12.8 percent of all General Fund revenues and transfers. The 2026 Budget Act projects that capital gains would account for 9.8 percent of General Fund revenues and transfers in fiscal year 2024-25, 11.2 percent in fiscal year 2025-26, and 10.9 percent in fiscal year 2026-27. The volatility in these percentages is primarily due to an underlying volatility in the level of capital gains tax revenues rather than to volatility in other General Fund revenues and transfers. See "ECONOMIC AND BUDGET RISKS."

The PTET program, which was enacted in the 2021 Budget Act, is projected to decrease personal income tax revenues by an estimated $16.7 billion in fiscal year 2024-25, $17.8 billion in fiscal year 2025-26, and $18.5 billion in fiscal year 2026-27 with roughly equivalent offsetting revenue gains in corporate

income taxes, although the timing of PTET payments and the corresponding personal income tax credits may not align within the same fiscal year.

2. *Sales and Use Tax*

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

The state imposes a use tax at the same rates as the regular sales tax on consumers of tangible personal property that is used, consumed, or stored in this state. Use tax applies when California sales tax was not collected on a taxable purchase. Therefore, use tax applies to purchases from out-of-state vendors that did not collect tax on their sales or sales of private party assets in which the seller does not hold a seller's permit. Use tax also applies to most leases of tangible personal property.

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

- 3.9375 percent is imposed as a state General Fund tax;
- 1.0625 percent is dedicated to California counties for local public safety and health services responsibilities shifted to the counties in 2011 (Local Revenue Fund 2011);
- 0.5 percent is dedicated to California counties for health and welfare program responsibilities shifted to the counties in 1991 (Local Revenue Fund);
- 0.5 percent is dedicated to local governments — mostly counties — for public safety services (Local Public Safety Fund); and
- 1.25 percent is a local tax imposed under the Uniform Local Sales and Use Tax Law, dedicated to local governments where the taxable sale occurred. The tax consists of two component rates, with 0.25 percentage points dedicated to county transportation purposes and 1 percent for city and county general-purpose use.

Proposition 30 constitutionally guaranteed that 1.0625 percent of the sales tax rate is dedicated to the cost of the realignment of certain defined public safety services programs from the state to the counties and explicitly states that this sales tax revenue does not constitute General Fund revenue for purposes of the Proposition 98 (1988) guarantee. The 1.0625 percent sales tax rate is projected to generate $9.7 billion in fiscal year 2025-26 and $9.9 billion in fiscal year 2026-27.

Existing law provides that 0.25 percent of the base state and local sales tax rate will be suspended in any calendar year upon certification by the Director of the Department of Finance that specified conditions exist. There are two sets of tests, each with two conditions, completed annually by November 1, and based on projections from the most recent May Revision and Budget Act. The first set of tests examines whether the actual SFEU balance as of June 30 exceeds 4 percent of the previous fiscal year's General Fund revenues, and whether the projected SFEU balance as of June 30 of the current fiscal year, excluding the impact from the 0.25 percent sales tax rate, exceeds 4 percent of the current fiscal year's projected General Fund revenues. The second set of tests observes whether the projected SFEU balance as of June 30,

excluding the impact from the 0.25 percent sales tax rate, exceeds 3 percent of current year General Fund revenues, and whether the actual revenues in May through September of the current calendar year equal or exceed the May Revision forecast. If both conditions in either set of tests are met as certified by the Director of the Department of Finance, then the 0.25 percent rate will be suspended. The Department of Finance estimated that the reserve level in fiscal year 2025-26 would be insufficient to trigger a suspension of the 0.25 percent rate for calendar year 2026. See "CURRENT STATE BUDGET" for a projection of the SFEU balance for fiscal years 2025-26 and 2026-27.

The 2026 Budget Act extended the existing sales and use tax on prewritten software delivered on a tangible medium to also apply to electronically delivered prewritten software. This tax policy change is estimated to generate $450 million in additional General Fund revenue in fiscal year 2026-27 and $900 million ongoing in each fiscal year thereafter.

3. *Corporation Tax*

Corporation tax revenues are derived from the following taxes:

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

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

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

- A minimum franchise tax of up to $800 is imposed on corporations and Sub-Chapter S corporations. LPs, LLPs, and LLCs are also subject to the $800 minimum franchise tax. New corporations are exempted from the minimum franchise tax for the first year of incorporation, as were LPs, LLPs, and LLCs registered between January 1, 2021, and January 1, 2024. The 2026 Budget Act reduces the $800 minimum tax to $400 in their first year of existence for LPs, LLPs, and LLCs registered between January 1, 2027, and December 31, 2029.

- Sub-Chapter S corporations are taxed at 1.5 percent of California profits, except for financial S corporations, which are taxed at 3.5 percent.

Fees and taxes paid by LPs, LLPs, and LLCs are estimated to be $2.3 billion in fiscal year 2026-27.

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

The PTET is estimated to increase corporate income tax revenues by $17.6 billion in fiscal year 2024-25, $18.4 billion in fiscal year 2025-26, and $19.1 billion in fiscal year 2026-27, with roughly equivalent offsetting revenue losses in personal income tax revenues. Differences in the timing of PTET entity-level payments and the personal income tax credits they generate may result in the corresponding revenue impacts not fully offsetting within the same fiscal year.

The 2024 Budget Act increased revenues by limiting business credit usage to $5 million per year and by suspending the use of net operating loss deductions for businesses with more than $1 million in taxable income in tax years 2024, 2025, and 2026. Additionally, taxpayers who choose to make an irrevocable election can convert the credits they were unable to apply against tax liability due to the credit limitation to refundable credits that will be claimed on a 5-year schedule beginning 3 years following when the refundable credits were generated. The 2026 Budget Act extended the temporary business tax credit limitation of $5 million per year for an additional three years, from 2027 through 2029. This extension continues to allow elective refundability for 2027 through 2029 so that taxpayers impacted by the temporary limitation can fully utilize their credits. Unlike the current limitation that is in effect for 2024 through 2026, the extended temporary limitation does not include a suspension of net operating losses. Beginning in 2030, the 2026 Budget Act permanently limits business tax credit use to the greater of $5 million or 70 percent of liability, ensuring that large profitable corporations pay a reasonable minimum level of tax.

The combined net impact from the 2024 Budget Act and 2026 Budget Act tax credit limitations is projected to be revenue increases of $4.5 billion in fiscal year 2024-25, $4.7 billion in fiscal year 2025-26, $3.4 billion in fiscal year 2026-27, $2.3 billion in fiscal year 2027-28, $2.4 billion in fiscal year 2028-29, and $1.7 billion in fiscal year 2029-30, followed by projected annual revenue losses through fiscal year 2033-34 due to refundable tax credits being claimed exceeding projected revenue gains from the permanent credit limitation. The revenue impact from the 2026 Budget Act credit limitation, which is included in the combined net impact noted above, is projected to be $1 billion in fiscal year 2026-27, $3.3 billion in fiscal year 2027-28, $4.7 billion in fiscal year 2028-29, and $4.2 billion in fiscal year 2029-30.

4. *Insurance Tax*

Most of the insurance written in California is subject to a 2.35 percent gross premium tax. For insurers, this premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. Exceptions to the 2.35 percent rate are certain pension and profit-sharing plans which are taxed at the lesser rate of 0.5 percent, surplus lines and non-admitted insurance at 3 percent and ocean marine insurers at 5 percent of underwriting profits. The insurance tax is estimated to have generated General Fund revenues of $4.3 billion in fiscal year 2024-25 and is projected to generate $4.5 billion in fiscal year 2025-26 and $4.7 billion in fiscal year 2026-27.

5. *Pooled Money Interest*

The Pooled Money Interest Account generates revenues from yields on cash balances invested into securities. The Pooled Money Interest Account has three primary sources of funds including the General Fund, special funds, and money deposited by cities, counties, and entities into the Local Agency Investment Fund. The revenue yielded by the account grew three and half times from fiscal year 2018-19 to fiscal year 2024-25, as the cash balance has grown considerably and interest rates remain comparatively elevated. During the third quarter of fiscal year 2025-26, the total money invested in the Pooled Money Interest Account averaged $167.3 billion across all funds, $68 billion of which generated interest revenue to the General Fund. Pooled Money Interest Account revenues are estimated to have generated General Fund revenues of $3.1 billion in fiscal year 2024-25 and are projected to generate $2.8 billion in fiscal year 2025-26 and $2.6 billion in fiscal year 2026-27.

6. *Special Fund Revenues*

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

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

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

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

Motor vehicle-related taxes and other fees are projected to account for 25 percent of all special fund revenues in fiscal year 2026-27. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. In fiscal year 2026-27, approximately $22.8 billion of special fund revenues are projected to come from the ownership or operation of motor vehicles. For a discussion of Proposition 1A of 2004, which replaced a portion of vehicle license fees with increased property tax revenues, see "STATE FINANCES — OTHER ELEMENTS — Local Government Impacts on State Finances." The following table displays major special fund revenues (actual and as estimated in late April 2026).

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

Fiscal Year	Sales and Use[b]	Personal Income[c]	Tobacco[d]	Cannabis[e]	Motor Vehicle Fuel[f]	Motor Vehicle Fees[g]	Managed Care Organization Tax[h]
2017-18	$ 23,271	$ 2,119	$ 2,080	$ 85	$ 6,352	$ 8,549	$ 2,469
2018-19	24,481	2,297	1,990	299	7,558	9,848	2,456
2019-20	24,049	2,268	1,906	484	7,798	9,735	1,672
2020-21	26,351	3,111	1,909	770	7,811	10,641	2,318
2021-22	31,001	4,946	1,778	813	8,455	10,713	2,517
2022-23	32,227	3,048	1,575	537	8,653	11,299	2,074
2023-24	31,777	2,779	1,342	629	9,234	11,895	8,269
2024-25	31,694	3,631	1,184	597	9,403	12,463	13,759
2025-26[a]	32,307	4,442	1,111	623	9,465	12,726	12,700
2026-27[a]	33,201	4,371	1,066	614	9,688	13,134	9,500

[a] Projected.

[b] These figures include allocations to Public Transportation Account, Local Public Safety Fund, both Local Revenue Funds (1991 and 2011 Realignment), and the two Bradley-Burns tax rates, which are dedicated to city and county operations, and do not include local district taxes.

[c] These figures include the revenue estimate for a 1 percent surcharge on taxpayers with taxable income over $1 million, with the proceeds funding behavioral health programs pursuant to Proposition 63 (2004) and updated by Proposition 1 (2024), the Behavioral Health Services Act.

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

[e] These figures include revenue from a 15 percent excise tax and an inflation-adjusted cannabis cultivation tax between $1.29 to $9.25 per pound from fiscal year 2017-18 through fiscal year 2021-22, the elimination of the cultivation tax beginning in fiscal year 2022-23, a 19 percent excise tax rate from July 1, 2025 through September 30, 2025, and a 15 percent excise tax rate again beginning October 1, 2025.

[f] All gasoline and diesel excise tax rates are indexed for inflation beginning July 1, 2020.

[g] Registration and weight fees, motor vehicle license fees, and other fees. These fees, not including weight fees, are indexed to inflation beginning January 1, 2020. See "STATE FINANCES — OTHER ELEMENTS — Local Government Impacts on State Finances."

[h] Reflects the 2024 Managed Care Organization ("MCO") Tax, authorized in various state statutes and Proposition 35 (2024), which made the Proposition 35 MCO Tax permanent subject to federal approval. This tax is effective for three calendar years beginning January 1, 2024, and expires on December 31, 2026. Fiscal year 2026-27 reflects revenues from the 2024 MCO Tax and revenues from the MCO Tax renewal adopted in the 2026 Budget Act, which is effective January 1, 2027, subject to federal approval.

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

Source: State of California, Department of Finance.

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State Expenditures

Certain information concerning state expenditures as set forth in the 2026 Budget Act is presented below.

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

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

1. *TK-14 Education under Proposition 98*

General. California provides instruction and support services to roughly 5.7 million students in grades transitional kindergarten through twelve in more than 10,000 schools throughout the state. TK-12 education programs are primarily funded under Proposition 98 and are projected to receive funding of $92.9 billion from the General Fund for fiscal year 2026-27 (both Non-Proposition 98 and Proposition 98). The state also provides instruction and support services for approximately 2.2 million students based on enrollment (or approximately 1.1 million full-time equivalent students) at 116 community colleges.

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

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

factor obligation is repaid according to a constitutional formula in years when the growth in per capita General Fund revenues exceeds the growth in per capita personal income.

The passage of Proposition 30 temporarily created an additional source of funds for TK-14 education. The Education Protection Account, created by Proposition 30, was available to offset Proposition 98 General Fund expenditures for fiscal years 2012-13 through 2018-19, freeing up General Fund resources for other purposes. Proposition 55 extended the additional income tax rates established by Proposition 30 through tax year 2030. See "Proposition 98 Funding for Fiscal Years 2025-26 and 2026-27" below.

Proposition 2 created the Public School System Stabilization Account ("PSSSA"), a special fund that serves as a Proposition 98 reserve and requires a deposit in the PSSSA under specified conditions. The 2026 Budget Act does not reflect these conditions being met for fiscal year 2026-27. Economic conditions as of the 2025 Budget Act required a deposit in fiscal year 2024-25 of approximately $455 million and required a withdrawal of approximately $455 million in fiscal year 2025-26, which fully depleted the PSSSA balance. Proposition 2 requires a two-year true up on this transfer calculation and, after the true up, the deposit in fiscal year 2024-25 increased to approximately $5.3 billion and there were both mandatory and discretionary deposits of approximately $3.4 billion and $500 million, respectively, in fiscal year 2025-26, replacing the mandatory withdrawal from the 2025 Budget Act. With the total balance in the PSSSA now exceeding 3 percent of the total Proposition 98 funded amount in fiscal year 2025-26, school district reserve caps of 10 percent will be triggered for applicable districts in fiscal year 2026-27 pursuant to state law.

Proposition 98 Funding for Fiscal Years 2025-26 and 2026-27. Test 1 is operative in fiscal years 2025-26 and 2026-27, requiring approximately 40 percent of General Fund revenues to be spent on TK-14 education. As shown in Table 10, the funding provided to TK-12 schools and community colleges increased in fiscal years 2025-26 and 2026-27. The 2026 Budget Act reflects a revised minimum guarantee level for TK-12 schools and community colleges in fiscal year 2025-26 of approximately $125.3 billion, which is approximately $10.7 billion more than the level assumed at the 2025 Budget Act. Due to the inherent risk in revenue projections, the 2026 Budget Act appropriates the minimum guarantee at $121.3 billion, instead of the calculated level of $125.3 billion in fiscal year 2025-26. This proposal creates approximately $3.9 billion in settle-up for one-time purposes. Depending upon the final calculation of the minimum guarantee for fiscal year 2025-26 at certification in the 2027 Budget Act, and pursuant to existing law, any under-appropriation of the minimum guarantee would be repaid in full at certification or according to a statutorily authorized payment plan. The 2026 Budget Act reflects the Proposition 98 minimum guarantee at approximately $128.1 billion in fiscal year 2026-27, which represents an increase of approximately $13.5 billion compared to the amount assumed for fiscal year 2025-26 in the 2025 Budget Act. Further, the 2026 Budget Act: (1) includes a $8.3 billion maintenance factor obligation payment in fiscal year 2024-25, which represents an increase of approximately $2.8 billion compared to the projected payment at the 2025 Budget Act and fully repays the maintenance factor obligation, (2) fully repays the deferral of local control funding formula resources of approximately $1.9 billion from fiscal year 2025-26 to fiscal year 2026-27, and (3) fully repays the deferral of student centered funding formula resources of approximately $408.4 million from fiscal year 2025-26 to fiscal year 2026-27.

The California Teachers Association publicly announced on September 15, 2026, that it was filing a lawsuit pertaining to the settle-up/deferrals described above. See "LITIGATION – Action Regarding Proposition 98 Settle-Up Procedures." The $1.9 billion settle-up amount from fiscal year 2024-25 has since been repaid; the $3.9 billion settle-up from fiscal year 2025-26 has not. If the petition is granted, the state could be ordered to pay any under-appropriation for the 2025-26 fiscal year in this fiscal year.

The 2026 Budget Act adjusts ongoing funding in fiscal years 2024-25 and 2025-26 to accommodate enrollment changes related to the expansion of transitional kindergarten. Additionally, ongoing funding in fiscal year 2026-27 is adjusted to accommodate the shift of funding for non-local educational agency State Preschool providers into the minimum guarantee. The Test 1 percentage in fiscal year 2026-27 is approximately 39.6 percent.

Proposition 98 property taxes are estimated to continue increasing, mostly due to shifts of local property tax revenues back to schools and community colleges, and increases in base property tax revenues, though more modestly than prior to the COVID-19 pandemic.

TABLE 10
Proposition 98 Funding
(Dollars in Millions)

	Fiscal Year					Change From Revised 2025-26 to Enacted 2026-27	
	2024-25		2025-26		2026-27		
	Enacted[a]	Revised[b]	Enacted[a]	Revised[b]	Enacted	Amount	Percent
TK-12 Proposition 98							
State General Fund	$ 62,849	$ 64,082	$ 61,713	$ 60,351	$ 70,462	$ 10,111	17%
Education Protection Account	13,166	13,166	10,554	14,719	12,528	(2,191)	-15%
Local property tax revenue[c]	28,086	28,270	29,382	29,130	30,478	1,348	5%
Subtotals	$ 104,101	$ 105,518	$ 101,649	$ 104,200	$ 113,468	$ 9,268	9%
Community College Proposition 98							
State General Fund	$ 7,614	$ 8,116	$ 7,166	$ 6,985	$ 8,393	$ 1,407	20%
Education Protection Account	1,627	1,627	1,304	1,819	1,548	(271)	-15%
Local property tax revenue[c]	4,232	4,343	4,438	4,444	4,661	218	5%
Subtotals	$ 13,473	$ 14,087	$ 12,909	$ 13,248	$ 14,602	$ 1,354	10%
Total Proposition 98							
State General Fund	$ 70,464	$ 72,199	$ 68,879	$ 67,337	$ 78,855	$ 11,518	17%
Education Protection Account	14,793	14,793	11,858	16,538	14,077	(2,461)	-15%
Local property tax revenue[c]	32,317	32,614	33,821	33,574	35,140	1,566	5%
Public School System Stabilization Account	455	5,324	0	3,871	0	(3,871)	-100%
Totals[d]	**$ 118,029**	**$ 124,929**	**$ 114,558**	**$ 121,320**	**$ 128,071**	**$ 6,751**	**6%**

[a] As of the 2025 Budget Act, enacted on June 27, 2025, as amended July 29, 2025 and September 17, 2025.

[b] As of the 2026 Budget Act. Proposition 98 funding for fiscal year 2025-26 is $3.9 billion below the calculated minimum guarantee level, creating a settle-up obligation as described above.

[c] Local property tax revenues include amounts shifted to schools because of the elimination of redevelopment agencies. Fiscal years 2024-25 through 2026-27 include the one-time distribution of cash assets held by redevelopment agencies.

[d] Totals may not add due to rounding.

Source: State of California, Department of Finance.

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2. *Higher Education*

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

As discussed above, the state funds its community colleges under Proposition 98. Including funds for Adult Education, the 2026 Budget Act proposes $14.6 billion Proposition 98 funds for community colleges (consisting of $9.9 billion from the General Fund and Education Protection Account and $4.7 billion from local property taxes).

There are currently 116 community colleges operated by 73 community college districts in California. These colleges provide associate degrees, certificates, and a limited number of baccalaureate degrees to students. Additionally, students may attend CCCs to acquire basic skills or complete general education requirements prior to transferring to a four-year undergraduate institution. The CCCs awarded approximately 338,000 associate degrees, certificates, and other awards in the 2024-25 academic year. For the 2024-25 academic year, about 1.1 million full-time equivalent students were enrolled at CCCs.

CSU provides undergraduate, graduate and professional programs, awarding approximately 123,000 degrees in the 2024-25 academic year. CSU enrolled approximately 401,238 full-time equivalent students at 22 campuses in the 2024-25 academic year.

UC provides a range of undergraduate, graduate, and professional programs, awarding approximately 89,000 degrees in the 2024-25 academic year. The ten UC campuses and UC College of the Law San Francisco (formerly, Hastings College of Law) enrolled approximately 301,177 full-time equivalent students in the 2024-25 academic year.

In fiscal year 2024-25, community colleges enrollment increased from the prior year and have regained headcount enrollment and full-time equivalent students enrollment approximately back to pre-pandemic levels. Systemwide enrollment at the CSU began to rebound though some campuses continue to experience sustained enrollment declines; and overall UC enrollment remained stable. State funding to the UC and CSU is not directly tied to enrollment, and the CCCs have a hold harmless provision tied to their state funding that established a funding floor in fiscal year 2025-26 for CCCs, which is pegged to their fiscal year 2024-25 hold harmless funding levels.

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

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

Fiscal Year	CSU[(a)(b)]	UC[(b)]	CCCs[(c)(d)]
2022-23	$5.3	$4.9	$8.3
2023-24	5.4	4.8	7.3
2024-25	5.5	4.9	9.8
2025-26	5.7	4.9	8.4
2026-27	6.2	5.6	9.9

(a) Includes health benefit costs for CSU retirees.

(b) Includes general obligation bond debt service costs.

(c) Reflects Proposition 98 General Fund provided for the community colleges, including expenditures for Adult Education and the K-12 Strong Workforce Program.

(d) Includes Education Protection Account expenditures.

3. *Health and Human Services*

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

The 2026 Budget Act includes expenditures of $194.4 billion ($48.6 billion General Fund) in fiscal year 2025-26 and $219.7 billion ($46.9 billion General Fund) in fiscal year 2026-27 for the Medi-Cal program. The estimated average monthly caseload is 14.4 million in fiscal year 2025-26 and 13.9 million in fiscal year 2026-27. Compared to the 2026-27 Governor's Budget, the 2026 Budget Act increased Medi-Cal expenditures by approximately $2.2 billion General Fund in fiscal year 2025-26, resulting in a $4.2 billion General Fund deficiency for Medi-Cal in 2025-26. This deficiency is driven primarily by the delayed approval of the 2025 Hospital Quality Assurance Fee program and associated General Fund savings shifting from fiscal year 2025-26 to fiscal year 2026-27, federal fund claiming changes, including a one-time retroactive repayment of federal funds claimed for state-only services and deferred federal fund claims that the Centers for Medicare and Medicaid Services is evaluating for federal financial participation eligibility, overall cost growth, and Medicare. In May 2026, the federal government issued a deferral of federal financial participation of $1.3 billion and in July 2026, issued an additional deferral of $867.5 million for a total of $2.2 billion in deferrals that could impact fiscal year 2026-27. Until the federal government releases any deferred federal funds, the costs of the deferrals are anticipated to be borne by the General Fund.

Pursuant to existing statute, in fiscal year 2025-26, the Department of Finance approved the maximum amount of a $4.3 billion loan from the General Fund to the Medical Providers Interim Payment Fund and a one-time General Fund cash flow loan of $1 billion, pursuant to Chapter 104, Statutes of 2025 (SB 105), for a total of $5.3 billion in loans. Chapter 21, Statutes of 2026 (SB 111) authorizes an appropriation increase of $4.2 billion General Fund in fiscal year 2025-26 for the Medi-Cal program's current year deficiency and to repay $3.2 billion of the 2025-26 Medical Providers Interim Payment Fund loan and the $1 billion one-time General Fund cash flow loan (the difference of $68.5 million is associated with cash timing and will be repaid with existing cash). The 2026 Budget Act maintains the June 30, 2034

repayment deadline of the $3.4 billion fiscal year 2024-25 Medical Providers Interim Payment Fund loan and the $1 billion fiscal year 2025-26 Medical Providers Interim Payment Fund loan.

The Medi-Cal budget may significantly change over time, including within a single fiscal year, due to its size, financial complexity, federal requirements, and the fact that Medi-Cal operates on a cash, rather than an accrual basis of accounting, meaning that the timing of transactions or federal actions can significantly disrupt fiscal year budgetary estimates. The implementation of several state and federal policies has led to significant changes in the program in recent years, which has made budgetary and caseload estimates more challenging. Furthermore, significant variability is possible in the near future due to changes in federal policy. California will begin implementing H.R. 1 in the 2026-27 fiscal year, however, there is still significant uncertainty around future administrative or policy changes from the federal government that could materially impact state General Fund expenditures for health care. Estimating Medi-Cal expenditures is difficult and complex; such estimates may be off by material amounts due to the factors, among others, described in the following sections.

The following table shows Medi-Cal expenditures as of the 2026 Budget Act.

TABLE 12
Medi-Cal Expenditures
(Dollars in Billions)

Fiscal Year	General Fund	Other State Funds[(a)]	Federal Funds[(b)]	Total
2021-22	$24.5	$10.2	$84.4	$119.0
2022-23	30.6	13.4	90.0	134.1
2023-24	37.2	23.3	95.5	156.1
2024-25	37.9	32.4	106.0	176.4
2025-26[(c)]	48.6	28.8	117.0	194.4
2026-27[(c)]	46.9	39.2	133.5	219.7

Note: Totals may not add due to rounding.

(a) Other State Funds include the Home & Community-Based Services American Rescue Plan Fund (through fiscal year 2024-25), MCO Tax Special Funds, and Medical Providers Interim Payment Funds ($1.9 billion in fiscal year 2024-25 and $2.5 billion in fiscal year 2025-26).

(b) Federal Funds include State Fiscal Recovery Fund, Demonstration Disproportionate Share Hospital Fund and Health Care Support Fund. See "ECONOMIC AND BUDGET RISKS" under the bullet point titled "Reductions in Federal Funding."

(c) Estimated as of the 2026 Budget Act.

Year-over-year changes. The $1.7 billion decrease in General Fund spending from fiscal year 2025-26 to fiscal year 2026-27 is due primarily to delayed federal approval of the Hospital Quality Assurance Fee, the transition of individuals with unsatisfactory immigration status from the Medi-Cal managed care delivery system to the fee-for-service delivery system, and various statutory changes to reduce ongoing costs in the Medi-Cal program and address the budget shortfall. Although General Fund spending is decreasing year-over-year due to the Administration's efforts to reduce General Fund costs, overall spending in the Medi-Cal program is projected to increase by approximately $25.3 billion from fiscal year 2025-26 to fiscal year 2026-27 due to shifting of the Hospital Quality Assurance Fee program from fiscal year 2025-26 to fiscal year 2026-27 due to delayed federal approval and increasing cost per eligible Medi-Cal member which results in higher federal financial participation for different individuals and services.

Federal H.R. 1. H.R. 1 is anticipated to have significant impacts on Medi-Cal program eligibility, funding, and administrative processes beginning in fiscal year 2026-27. The impacts on caseload and costs of many H.R. 1 policies are projected based on developing federal guidance at the time of the development of the 2026 Budget Act and best available projection data. As such, projections may be off by material amounts once the policies are implemented and the state has actual enrollment and expenditure data. The 2026 Budget Act estimates increased General Fund costs of $1.3 billion and corresponding decreased federal funds in the same amount for the Medi-Cal program in fiscal year 2026-27. In fiscal year 2029-30, the 2026 Budget Act estimates reduced federal funds for the Medi-Cal program of $11.2 billion and decreased General Fund costs of $1.9 billion. The 2026 Budget Act estimates a net decrease in Medi-Cal caseload attributable to H.R. 1 of 44,000 individuals in fiscal year 2026-27, growing to a net decrease of 1.3 million individuals by fiscal year 2029-30 as the various H.R. 1 eligibility provisions are phased in. The 2026 Budget Act does not include an increase in General Fund costs to cover services and/or programs to address potential impacts to state residents from disenrolling from Medi-Cal coverage. However, the 2026 Budget Act includes funding to assist hospitals and to partially help mitigate the impacts of H.R. 1; $250 million General Fund to provide grants to designated public hospitals, $90 million General Fund to provide grants for distressed hospitals, which may be augmented by an additional $50 million General Fund, and $10 million General Fund for a new hospital stabilization unit. Under existing law, counties are responsible for indigent health care and public health, and as of the 2026 Budget Act, it is projected there will be $1.2 billion Local Revenue Funds available to counties for these purposes.

H.R. 1 caseload reductions and fiscal impacts on Medi-Cal are primarily expected to occur due to the following:

- *Hospital Quality Assurance Fee ("HQAF").* Effective July 4, 2025, H.R. 1 added new requirements for provider taxes. The state's 2025 HQAF program, which was submitted for federal approval in March 2025, did not meet the H.R. 1 requirements. In March 2026, the state submitted a revised 2025 HQAF tax waiver request, which was approved by the federal government in June 2026. The approved HQAF program is expected to provide hospital net-benefit payments of $5.5 billion and $1.3 billion to support Medi-Cal children's services. Compared to the state's initial submission, the approved tax waiver reflects a decrease of approximately $2.4 billion in net-benefit payments to hospitals, and a decrease of approximately $600 million available to support Medi-Cal children's services, which will be borne by the General Fund in fiscal year 2026-27. The 2026 Budget Act includes a total of $1.7 billion General Fund available to support children's Medi-Cal coverage in fiscal year 2026-27, which includes $1.3 billion from the approved 2025 HQAF program and approximately $400 million associated with the next HQAF program.

- *Unsatisfactory Immigration Status Emergency Affordable Care Act Federal Medical Assistance Percentage.* Effective October 1, 2026, H.R. 1 reduces the federal share of cost from 90 percent to 50 percent for emergency services for individuals with unsatisfactory immigration status (see "— *Medi-Cal Coverage for Individuals, Regardless of Immigration Status*") who became eligible through the Affordable Care Act adult expansion. This results in decreased federal funds of $720.3 million and General Fund costs of $668.8 million in fiscal year 2026-27, increasing to reduced federal funds of $792.6 million and General Fund costs of $717.6 million by fiscal year 2029-30.

- *Work and Community Engagement Requirement for Affordable Care Act Adult Expansion Population.* Effective January 1, 2027, individuals enrolled through the Affordable Care Act adult expansion must comply with federal work or community engagement requirements as a condition of Medi-Cal eligibility unless they meet an allowable exception. The 2026 Budget Act estimates a reduction of $357 million total funds ($90

million General Fund) in fiscal year 2026-27 and $9.6 billion total funds ($2.4 billion General Fund) by fiscal year 2029-30 associated with decreased caseload.

- *Six-Month Redeterminations for Affordable Care Act Adult Expansion Population.* Effective January 1, 2027, H.R. 1 increases the eligibility redetermination frequency for the Affordable Care Act adult expansion population from once per year to every six months. The 2026 Budget Act estimates a reduction of $747 million total funds ($186 million General Fund) in fiscal year 2027-28 and a reduction of $2.5 billion ($633 million General Fund) by fiscal year 2029-30 associated with decreased caseload. Due to federal guidance, the 2026 Budget Act does not include caseload or fiscal impacts associated with this federal policy in fiscal year 2026-27.

- *County Administration.* Given the H.R. 1 changes on Medi-Cal eligibility requirements, in particular the six-month redeterminations and the work and community engagement requirement, the 2026 Budget Act includes a one-time augmentation of $709 million ($196.8 million General Fund) to support county workload to implement Medi-Cal eligibility changes. Inclusive of this augmentation, the 2026 Budget Act includes a total of $3.3 billion total funds ($828.2 million General Fund) for Medi-Cal county administration in fiscal year 2026-27.

- *Reduced Retroactive Medi-Cal Timeframes.* Effective January 1, 2027, H.R. 1 reduces the allowable retroactive Medi-Cal coverage from three months before an individual's application date to one month for the Affordable Care Act adult expansion population and two months for all other eligible groups. The 2026 Budget Act includes a reduction of $34 million total funds ($14.7 million General Fund) in fiscal year 2026-27 and an ongoing reduction of $75.5 million total funds ($32 million General Fund) associated with this provision.

- *Restrictions on Immigrant Eligibility.* Effective October 1, 2026, H.R. 1 excludes individuals with certain immigration statuses from federal eligibility for full-scope Medi-Cal, which significantly reduces federal funding for this population. The 2026 Budget Act includes $364.9 million General Fund in fiscal year 2026-27 to maintain full-scope Medi-Cal coverage until June 30, 2027. Effective July 1, 2027, the 2026 Budget Act transitions approximately 150,000 impacted individuals to restricted-scope Medi-Cal coverage. If the state were to otherwise provide full-scope Medi-Cal for this population, the General Fund cost is estimated to be $923.7 million in fiscal year 2027-28 increasing to $979.9 million by fiscal year 2029-30 and annually thereafter.

MCO Tax. Federal Medicaid law and regulations allow states to impose certain health care-related taxes on health care plans or providers if certain conditions are met. The revenue from these taxes serves as the non-federal share of spending for health care services in a state's Medicaid program, which allows the state to draw down additional federal funding and reduce General Fund expenditures.

Proposition 35, approved by the voters in November 2024, specifies permissible uses of MCO Tax revenues starting with the 2025 tax year and limits the amount of MCO Tax revenue allowed to support the Medi-Cal program. The 2026 Budget Act reflects MCO Tax revenue of $4.5 billion in fiscal year 2025-26 and $2.5 billion in fiscal year 2026-27 to support existing services in the Medi-Cal program. Additionally, $1.3 billion in fiscal year 2025-26, $2.4 billion in fiscal year 2026-27, and $216 million in 2027-28 will support increases in managed care and other payments relative to calendar year 2024 for certain domains. These amounts include $1.9 billion in MCO tax revenue from calendar years 2025 and 2026, available after fulfilling the provider payment increases required by Proposition 35, to support the Medi-Cal program.

California's existing MCO Tax is not consistent with the H.R. 1 requirement that prohibits taxing Medicaid providers at higher rates than non-Medicaid providers. On January 29, 2026, the Centers for Medicare and Medicaid Services released a final policy rule implementing this change but confirmed that California will receive a transition period through December 31, 2026, from these requirements, which coincides with the expiration date of the existing MCO Tax.

The 2026 Budget Act includes the renewal of an MCO Tax effective January 1, 2027, to conform with new federal requirements, subject to federal approval. The timeline for federal approval of the MCO Tax is uncertain. This policy is projected to increase revenue by $575 million in fiscal year 2026-27, $2.3 billion in 2027-28 and 2028-29, and $1.7 billion in 2029-30 to support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care. To comply with applicable state and federal laws, California will be seeking federal approval of a 2027 MCO Tax with two components. The first component, required by Proposition 35, is a tax that is substantially similar to the current MCO Tax to support the Medi-Cal program; because Proposition 35 requires the state to submit this tax for approval even though it is inconsistent with H.R. 1 requirements, the federal government will likely decline to approve it if it is determined that it does not conform with H.R. 1 requirements. The second component, authorized by Chapter 24, Statutes of 2026 (SB 125), is substantially dissimilar from the current MCO tax, is not subject to Proposition 35, and is structured to conform with federal H.R. 1 requirements. The projected revenues reflected in the 2026 Budget Act correspond to this second component, which conforms with H.R. 1 requirements. If this renewed MCO Tax is not approved by the federal government, this could result in increased General Fund costs in fiscal year 2026-27 through fiscal year 2029-30.

Medi-Cal Coverage for Individuals, Regardless of Immigration Status. The 2026 Budget Act projects expenditures of approximately $16.2 billion total funds ($14.6 billion General Fund) in fiscal year 2025-26 and $15.4 billion net total funds ($15.4 billion General Fund) in fiscal year 2026-27, inclusive of In-Home Supportive Services costs, for full-scope Medi-Cal coverage of income-eligible individuals with unsatisfactory immigration status.

Individuals defined as having "unsatisfactory immigration status" include the full-scope expansion to undocumented individuals, as well as non-citizens who do not qualify for full-scope coverage and funding under federal law. Examples include those with Deferred Action for Childhood Arrivals, Newly Qualified Immigrants under the five-year bar, and Permanently Residing Under Color of Law, among others. The 2026 Budget Act largely maintains statutory changes to effectuate a General Fund solution per the 2025 Budget, with a few revisions. Major changes include:

- Increased costs of $360.8 million General Fund in fiscal year 2026-27 to delay the elimination of dental benefits for adults with unsatisfactory immigration status by one year to July 1, 2027.

- Increased costs of $1 billion General Fund in fiscal year 2026-27 to delay the elimination of Prospective Payment System rates to clinics for state-only funded services provided to individuals with unsatisfactory immigration status by one year to July 1, 2027.

- Reduced costs of $427.3 Million General Fund in 2027-28 associated with an increase of the $30 monthly premium requirement for adults ages 19 to 59 with unsatisfactory immigration status to up to $50 effective July 1, 2027, subject to determination in the 2027-28 May Revision.

These policy adjustments in combination with other Medi-Cal cost reduction proposals in the 2025 Budget Act associated with this population, are estimated to reduce General Fund costs by $1.1 billion in fiscal year 2026-27, with the estimate in reductions growing to approximately $6.7 billion in fiscal year 2029-30.

Transition of Individuals with Unsatisfactory Immigration Status to Fee-For-Service. On March 16, 2026, the Centers for Medicare and Medicaid Services issued guidance that prohibits states from covering federally eligible emergency Medicaid services for individuals with unsatisfactory immigration status in risk-based managed care delivery systems. The 2026 Budget Act includes a reduction of $637.1 million total funds ($524.9 million General Fund) in fiscal year 2026-27 and $1.6 billion total funds ($1.3 billion General Fund) ongoing to comply with this federal requirement. Medi-Cal members with unsatisfactory immigration status will receive all covered Medi-Cal services through the fee-for-service delivery system, effective January 1, 2027.

California Advancing and Innovating Medi-Cal ("CalAIM"). CalAIM is a multi-year plan that began in January 2022 to transform the Medi-Cal program by adopting a whole person care model, reducing system complexity, and improving enrollee outcomes. On May 11, 2026, the Department of Health Care Services submitted an application to the Centers for Medicare and Medicaid Services for a five-year renewal of the CalAIM Section 1115 demonstration waiver to continue the program through 2031. The request is pending federal approval, and denial of the renewal could materially impact the state's Medicaid delivery and associated General Fund expenditures. The application estimates costs of $4 billion total funds in 2027 associated with the CalAIM renewal.

In-Home Supportive Services ("IHSS"). The IHSS program provides domestic and related services such as housework, transportation, and personal care services to eligible low-income aged, blind, or disabled persons. These services are provided to assist individuals to remain safely in their homes as an alternative to out-of-home care. The 2026 Budget Act includes $33.9 billion ($12.9 billion General Fund) for the IHSS program costs. IHSS General Fund costs are estimated to grow by over $1.4 billion General Fund annually from fiscal year 2026-27 to fiscal year 2029-30, primarily due to increasing caseload growth and increases in the provider minimum wage. By fiscal year 2029-30, IHSS General Fund expenditures are estimated to increase to $18.3 billion.

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

TABLE 13
IHSS Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2022-23[(a)]	623,181	$5.7
2023-24[(b)]	667,734	7.8
2024-25[(c)]	736,634	9.5
2025-26[(d)(e)]	806,809	11.4
2026-27[(d)(f)]	875,179	12.9

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

(b) Fiscal year 2023-24 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $15 to $15.50, effective January 1, 2023, and half year costs for the statewide minimum wage increase to $16.00, effective January 1, 2024; (2) growth in caseload and costs per hour; (3) assumed conclusion of the enhanced FMAP resulting in a higher state share of costs; (4) full-year implementation of Undocumented 50 and Above Full Scope Expansion; and (5) phased-in implementation of Undocumented 26-49 Full Scope Expansion.

(c) Fiscal year 2024-25 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $15.50 to $16.00, effective January 1, 2024, and half year costs for the statewide minimum wage increase to $16.50, effective January 1, 2025; (2) growth in caseload and costs per hour; and (3) full-year implementation of Undocumented 26-49 Full Scope Expansion.

(d) Estimated as of the 2026 Budget Act.

(e) Fiscal year 2025-26 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $16.00 to $16.50, effective January 1, 2025, and half year costs for the statewide minimum wage increase to $16.90, effective January 1, 2026; (2) growth in caseload and costs per hour, partially offset by estimated decreases in expenditures from (a) the reinstatement of the Medi-Cal asset limits for older and disabled adults at $130,000 for individuals and $195,000 for couples; and (b) having counties pay 50 percent of the projected IHSS Community First Choice Option late reassessment penalties.

(f) Fiscal year 2026-27 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $16.50 to $16.90, effective January 1, 2026, and half year costs for the statewide minimum wage increase to $17.40, effective January 1, 2027; and (2) growth in caseload, service hours per case, and cost per hour, partially offset by estimated decreases in expenditures from the reinstatement of the Medi-Cal asset limits for older and disabled adults at $21,000 for individuals and $31,000 for couples.

CalWORKs. California Work Opportunity and Responsibility to Kids ("CalWORKs") is the state's version of the federal Temporary Assistance for Needy Families ("TANF") program. This program provides temporary cash assistance to low-income families with children to meet basic needs, such as shelter, food, and clothing. CalWORKs includes specific state requirements for eligibility, and there are significant federal funds available for this program subject to compliance with certain federal requirements. The 2026 Budget Act includes $3.8 billion ($1.3 billion General Fund) for CalWORKs program costs, excluding CalWORKs Stage One Child Care, reflecting a net increase of $92.7 million ($649.0 million General Fund) since fiscal year 2019-20. The General Fund share of CalWORKs costs fluctuates year to year based primarily on the projected total CalWORKs expenditures and the availability of unspent federal TANF block grant funds carried forward from prior years. The CalWORKs program caseload is estimated to be 344,310 families in fiscal year 2026-27.

SSI/SSP. The federal Supplemental Security Income ("SSI") program provides a monthly cash benefit to eligible seniors and persons with disabilities who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State Supplementary Payment ("SSP") grant.

The 2026 Budget Act includes $3.6 billion General Fund for SSI/SSP program costs in fiscal year 2026-27, reflective of a federal Consumer Price Index Cost-of-Living Adjustment increase for the purposes of Social Security Administrative costs per case and Cash Assistance Programs for Immigrants grant increases. The average monthly caseload in this program is estimated to be 1.1 million recipients in fiscal year 2026-27.

Developmental Services. The Department of Developmental Services ("DDS") provides individuals with developmental disabilities a variety of services and supports that allow them to live and work independently or in supported environments.

The 2026 Budget Act includes $21.6 billion ($13.5 billion General Fund) for DDS costs. DDS estimates it will serve 526,848 individuals in the community and 302 individuals in state-operated facilities in fiscal year 2026-27.

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

TABLE 14
Department of Developmental Services Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2022-23	394,732	$6.9
2023-24	425,415	8.0
2024-25	452,490	9.8
2025-26[(a)]	487,254	11.9
2026-27[(a)]	527,150	13.5

[(a)] Estimated as of the 2026 Budget Act.

As set forth in the 2026 Budget Act, overall General Fund costs for DDS are expected to increase year-over-year by approximately $1.6 billion in fiscal year 2026-27. This increase is primarily driven by caseload and service utilization trends based on analysis of actual expenditures, and continues to contribute to the rapid growth in the program that has occurred in recent years.

Child Care. Families may access child care subsidies through centers that contract directly with the Department of Social Services, local educational agencies, or vouchers from county welfare departments and Alternative Payment Programs.

The 2021 Budget Act initiated a multi-year plan to expand access to subsidized spaces for children in child care centers or family child care homes (referred to as slots). The 2026 Budget Act includes $7.7 billion ($5.2 billion General Fund) for all child care programs administered through the Department of Social Services, an increase of over $3.8 billion General Fund since fiscal year 2020-21. State investments were made to improve affordability, support the child care workforce, expand access to care, and fund approximately 149,000 additional subsidized child care slots. The 2026 Budget Act included an additional $229 million General Fund in fiscal year 2026-27 and $349 million General Fund ongoing for

approximately 22,770 new child care slots and $41.2 million ongoing General Fund to backfill a federal fund reduction which restores approximately 3,430 slots. The 2026 Budget Act funds approximately 450,000 subsidized child care slots.

The current collective bargaining agreement the state reached with Child Care Providers United – California is effective September 22, 2025, to July 1, 2028. The agreement maintains investments for health, retirement, and training trusts for represented providers, continuation of the cost of care plus rates, and a commitment to reaching agreement on the single rate structure. Child care providers are not classified as state employees.

CalFresh. CalFresh, known federally as the Supplemental Nutrition Assistance Program or SNAP, provides monthly food benefits to individuals and families with low incomes and provides economic benefits to communities. CalFresh is federally mandated, state-supervised and county-operated.

The 2026 Budget Act includes $3.2 billion ($1.5 billion General Fund) for CalFresh program administration, an increase of $1.1 billion ($882 million General Fund) since fiscal year 2019-20. The CalFresh program caseload is estimated to be 3 million households in fiscal year 2026-27. H.R. 1 is anticipated to have significant impacts to the CalFresh Program in fiscal year 2026-27, including changing the federal, state, and county cost shares as well as reducing caseload. The net effect of these changes is an increase of $293.3 million General Fund in fiscal year 2026-27.

Cost shifts from the federal government to the state are projected to grow from $321.2 million in fiscal year 2026-27 to an estimated $1.6 billion in fiscal year 2029-30. These potential cost shifts are primarily expected to occur due to the following:

CalFresh Administration — Beginning October 1, 2026, H.R. 1 mandates a 25 percent decrease in the federal share of CalFresh program administrative costs, resulting in increased state and county shares. Historically, the federal government has paid 50 percent of the costs of program administration. Pursuant to H.R. 1, the federal government will reduce its share of program administration costs from 50 percent to 25 percent beginning in Federal Fiscal Year (October 1 to September 30) 2027. The remaining costs of program administration are paid by the state (70 percent) and the counties (30 percent); under the historic cost sharing, this was 35 and 15 percent respectively but will increase to 52.5 and 22.5 percent with the reduced federal share. The 2026 Budget Act includes an additional $321.2 million General Fund for CalFresh administrative costs as a result of the H.R. 1 cost shift. It also includes a three-year waiver for increased county costs where counties may contribute their fiscal year 2024-25 historic cost amount and access the full state share of funding through fiscal year 2028-29.

CalFresh Benefits — Beginning October 1, 2027, H.R. 1 establishes a state cost share for SNAP benefits based on a state's CalFresh payment error rate. The payment error rate measures the accuracy of the state's eligibility and benefit determinations derived from a sample of cases, including both underpayments, overpayments, and ineligible household issued benefits. Only errors over the federal dollar threshold, which is $57 for federal fiscal year 2025, count toward the payment error rate. As of the 2026 Budget Act, the federal government pays 100 percent of the CalFresh benefits, an estimated $11.6 billion in fiscal year 2026-27. SNAP benefit cost sharing may begin in Federal Fiscal Year 2028, based on the state's Federal Fiscal Year 2025 or 2026 payment error rate, as selected by the state. If the payment error rate is below 6 percent, then the federal government will continue to cover 100 percent of SNAP benefit costs. If the state has a payment error rate above 10 percent, then the state would cover 15 percent of benefits costs, which is projected to result in approximately $1.1 billion in costs to be paid from the General Fund in fiscal year 2027-28, growing to $1.2 billion in fiscal year 2029-30. The state had a 10.9 percent payment error rate in Federal Fiscal Year 2025; the Federal Fiscal Year 2026 rate is expected to be released in June 2027. The 2025 Budget Act included $39.9 million ($20.1 million General Fund) to support various

initiatives to improve the state's payment error rate; the 2026 Budget Act reappropriates the unused portion of these appropriations and makes additional investments in state and county CalFresh administration.

The 2026 Budget Act estimates reduced expenditures of approximately $28 million General Fund for fiscal year 2026-27, growing to $254.3 million General Fund in fiscal year 2029-30 due to revised program eligibility.

Able-Bodied Adult Without Dependents — H.R. 1 expands the definition of Able-Bodied Adults Without Dependents (ABAWD) thereby making more CalFresh recipients subject to work requirements. CalFresh enrollment is expected to decline due to individuals losing eligibility resulting in General Fund administrative savings, which is slightly offset by increased administration costs from the county work verification requirements. This change implemented June 1, 2026 and results in $646,000 General Fund savings in fiscal year 2026-27, growing to $178.4 million General Fund in fiscal year 2029-30.

Newly Excluded Non-Citizens — H.R. 1 makes many lawfully present immigrants ineligible for CalFresh, reducing caseload. This change implemented April 1, 2026 and results in $1.9 million General Fund increased costs in fiscal year 2026-27, growing to $8.4 million General Fund in savings in fiscal year 2029-30. One-time costs in fiscal year 2026-27 are due to aligning caseload between CalFresh and the state-funded California Food Assistance Program.

State Utility Assistance Subsidies — H.R. 1 narrows the households which can claim the Standard Utility Allowance deduction; claiming this deduction can allow a household to qualify for benefits or enable recipients to receive a higher benefit. This change implements on November 1, 2026, and will result in $29 million General Fund savings in fiscal year 2026-27, growing to $67.5 million General Fund in fiscal year 2029-30.

In addition, the 2026 Budget Act also includes a one-time augmentation of $223 million General Fund for county administrative workload to mitigate the impacts of H.R. 1 on ABAWD recipients, with the goal of maintaining CalFresh eligibility.

4. *Public Safety*

The California Department of Corrections and Rehabilitation ("CDCR") operates 31 adult correctional facilities (three of which have reception centers), 30 adult camps, the Pine Grove Youth Conservation Camp to serve local justice-involved youth, and numerous other facilities to support correctional services. CDCR also contracts for multiple adult parolee service centers and reentry services. CDCR's infrastructure includes more than 40 million square feet of state-owned building space on more than 20,000 acres of land statewide.

The adult incarcerated population was previously projected to decrease, consistent with recent trends. However, the most recent projections indicate the adult incarcerated population will increase slightly because of the passage of Proposition 36 (described below) in 2024. The 2026 Budget Act assumes an average daily adult incarcerated population of 87,611 individuals in fiscal year 2026-27 and an average active daily adult parole population of 33,125 individuals, both of which include the impact of Proposition 36. While Proposition 36 is projected to slightly increase prison admissions annually, the prison population is expected to continue its overall long-term downward trend because of prior public safety realignment and credit earning changes, declining to an average daily adult incarcerated population of 86,464 in fiscal year 2028-29.

The 2026 Budget Act includes total expenditures (excluding capital outlay) of $14.6 billion ($14.2 billion from the General Fund) for CDCR, including salaries and benefits of approximately $10.6 billion.

Prison Population. In 2014, the state was ordered to reduce its prison population to 137.5 percent of the system's design capacity by February 28, 2016. CDCR met this population benchmark in January 2015 through the successful implementation of a variety of court-ordered population reduction measures and was aided by the approval of Proposition 47 by voters in 2014, which reclassified certain felonies to misdemeanors (and related resentencing). At the end of 2016, voters approved Proposition 57, reforming the juvenile and adult criminal justice system and providing a more durable solution for prison crowding. The 2026 Budget Act estimates Proposition 57 will result in a population reduction of approximately 17,300 incarcerated adults in fiscal year 2026-27, 16,500 in fiscal year 2027-28, and 16,200 in fiscal year 2028-29.

Population reductions, in large part as a result of Proposition 57, enabled CDCR to terminate all out-of-state and in-state contract facilities as of May 2019, close the Deuel Vocational Institution, and deactivate two facilities in other institutions in September 2021. CDCR closed the California Correctional Center on June 30, 2023, deactivated six facilities within institutions in 2023, and terminated the lease and closed the California City Correctional Facility on March 31, 2024. In addition, CDCR deactivated 42 housing units within 11 prisons on June 30, 2024. CDCR closed Chuckawalla Valley State Prison on November 30, 2024. In addition, as part of statewide efficiencies included in the 2024 Budget Act, the 2025 Budget Act included the deactivation of one facility each at Wasco State Prison, North Kern State Prison, Calipatria State Prison, and portions of two facilities at High Desert State Prison, effective December 31, 2024. The 2026 Budget Act includes the closure of California Rehabilitation Center by October 2026, which will save $99.6 million General Fund in fiscal year 2026-27 and $151.5 million in fiscal year 2027-28 and ongoing. In total, these closures have saved the state hundreds of millions of dollars in annual expenditures.

Proposition 36, an initiative passed by voters in November 2024, increased punishments to felonies for specified crimes. These crimes were previously classified as misdemeanors pursuant to Proposition 47 in 2014. As discussed above, Proposition 36 will initially increase the prison population slightly but is not expected to undermine the state's ability to remain below a court-ordered population cap.

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

The 2026 Budget Act includes $3.2 billion (General Fund) for the prison medical program in fiscal year 2026-27, which represents an increase of approximately $28 million compared to the 2025 Budget Act.

Citing "significant progress" in improving California's prison medical care, in January 2012, a federal district court judge ordered California officials to begin planning for the end of the federal receivership of the state's prison medical programs. On March 10, 2015, the court modified its order to update and clarify the process to transition responsibility for the incarcerated population's medical care back to the state. This transition process is ongoing. A total of 32 institutions have been delegated back to the state, but four of those institutions have since closed, bringing the total delegated institutions to 28. There are currently three institutions remaining to be transitioned back to the state.

Prison Mental Health Care. *Coleman* is a class action lawsuit filed in 1990, involving Eighth Amendment violations with respect to the delivery of mental health care to individuals incarcerated within CDCR. The *Coleman* Court appointed a receiver to oversee CDCR's mental health care system, effective September 1, 2025. The *Coleman* court also approved the Receiver Action Plan, with implementation costs estimated at $41.5 million.

The Mental Health Staffing Special Deposit Fund (SDF) was established by the state to hold fines established by the Court. The Court set a maximum staff vacancy rate of ten percent and in February 2023, issued an order imposing monetary sanctions on CDCR. These sanctions included monthly fines for staff vacancies in excess of 10 percent, beginning in April 2023. The Court initially ordered fines to be paid to the Court's Registry, but in September 2024, the Court approved the state's request that fines instead be deposited into a SDF within the State Treasury until they are expended. While the state deposited $155.2 million into the SDF, the appeals court later adjusted accrued fines. The balance in the SDF, as of June 30, 2026, was $92.6 million. The 2026-27 Budget Act includes $40.3 million from the SDF, $5.2 million General Fund, and $1 million Behavioral Health Services Act Funding in fiscal year 2026-27 to support staffing costs of the Mental Health Receiver's office, continue clinical staff bonuses ordered by the court and in place since August 2024, expand the use of internships and other training programs for mental health clinicians, and augment various mental health and administrative positions to promote the hiring and retention of mental health clinicians. The 2026 Budget Act also includes $11 million General Fund and $1.2 million Behavioral Health Services Act Funding to expand Resource Teams and pilot Crisis Intervention Teams. The 2026 Budget Act assumes that the balance of the SDF will be fully spent down by fiscal year 2028-29, at which time all future costs of the Mental Health Receivership will be borne by the General Fund.

Sexual Misconduct Claims. On August 13, 2026, after completing its investigation into two CDCR facilities for women, the United States Department of Justice ("US DOJ") sent a letter to the Governor alleging it has reasonable cause to believe that conditions exist at the two facilities related to allegations of sexual abuse and harassment by staff that violate the United States Constitution. CDCR is in the process of working with the USDOJ to respond to and address the alleged violations. However, the US DOJ indicated that it may initiate a lawsuit if the alleged conditions have not been satisfactorily addressed within 49 days after the letter. At this time, it is unknown what future financial impact these allegations may have on the state's General Fund.

Five-Year Expenditure Summary

The following table summarizes the major categories of state expenditures, including both General Fund and special fund programs for fiscal years 2020-21 through 2024-25.

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TABLE 15
Governmental Cost Funds (Budgetary Basis)
Schedule of Expenditures by Function and Character
Fiscal Years 2020-21 to 2024-25
(Dollars in Thousands)

	Fiscal Year				
Expenditures by Function	**2020-21[f]**	**2021-22**	**2022-23**	**2023-24**	**2024-25[f][g]**
Legislative, Judicial, and Executive					
Legislative	$ 461,674	$ 522,804	$ 756,917	$ 727,446	$ 911,711
Judicial	3,997,371	4,724,007	5,047,239	5,049,482	5,032,471
Executive	5,874,444	6,077,113	7,358,335	9,043,445	6,356,064
Business, Consumer Services, and Housing	1,886,945	2,775,611	3,016,646	5,482,579	5,927,147
Transportation	13,221,038	13,479,293	13,387,603	15,357,470	14,586,946
Natural Resources	3,177,098	7,461,692	9,248,207	10,702,607	9,413,895
Environmental Protection	5,402,081	7,085,879	5,425,185	6,513,953	3,593,091
Health and Human Services	72,071,862	78,595,207	89,154,893	110,784,717	119,902,680
Corrections and Rehabilitation	12,595,692	13,880,058	14,929,002	14,987,127	14,178,871
Education					
Education – TK through 12	74,676,843	73,353,831	67,094,209	79,186,794	74,284,094
Higher Education	17,032,920	21,984,846	22,996,415	20,691,904	22,106,724
Labor and Workforce Development	809,271	1,263,295	2,051,198	2,092,265	1,839,065
Government Operations	4,441,530	10,347,058	14,851,278	4,177,098	6,040,384
General Government					
Non-Agency Departments	2,635,801	2,952,697	3,273,957	4,078,974	4,414,553
Tax Relief	1,166,876	602,539	640,116	565,201	601,387
Shared Revenues	2,788,355	2,701,000	3,360,050	3,535,337	3,717,708
Other Statewide Expenditures[a]	6,543,476	7,578,401	7,091,823	15,320,792	6,334,200
Reserve for Liquidation of Encumbrances[b]	(675,970)	(8,333,205)	(7,518,656)	(12,222,178)	1,125,279
Statewide General Administration Expenditures (Pro Rata)	(70,611)	(98,006)	(56,855)	(11,129)	(104,358)
General Fund Credits from Federal Funds (SWCAP)	(179,933)	(167,992)	(196,948)	(154,535)	(154,065)
Total	**$ 227,856,763**	**$ 246,786,128**	**$ 261,910,614**	**$ 295,909,349**	**$ 300,107,847**
Expenditures by Character					
State Operations[c]	$ 57,865,379	$ 71,560,545	$ 79,507,549	$ 69,121,476	$ 69,543,018
Local Assistance[d]	167,115,788	172,219,132	180,069,489	223,859,782	228,049,717
Capital Outlay[e]	2,875,596	3,006,451	2,333,576	2,928,091	2,515,112
Total	**$ 227,856,763**	**$ 246,786,128**	**$ 261,910,614**	**$ 295,909,349**	**$ 300,107,847**

(a) In fiscal year 2023-24, Other Statewide Expenditures increased because $6.5 billion was appropriated from the Public School System Stabilization Account for the support of school districts, pursuant to Sections 21 and 22 of Article XVI of the California Constitution. Additionally, the increase in Other Statewide Expenditures is due to the rising cost in improvement and infrastructure projects related to education and public health financed with General Obligation Bonds. In fiscal year 2024-25, the significant decrease in Other Statewide Expenditures is due to the PSSSA revising expenditures downward by $9.9 billion to align with the Department of Education's accruals. Additionally, 2024-25 expenditures are further reduced by Deferred Payroll. For details, please refer to footnote (g).

(b) In fiscal year 2020-21, the significant decrease in Reserve for Liquidation of Encumbrances was mainly because the Energy Resources Conservation and Development Commission reported only cash basis amounts for the Alternative and Renewable Fuel and Vehicle Technology Fund, the Electric Program Investment Charge Fund, and the Greenhouse Gas Reduction Fund. The cash basis amounts did not include current year encumbrance accruals. Please refer to footnote (e), below. However, in fiscal year 2021-22, the substantial increase in Reserve for Liquidation of Encumbrances is due to SCO receiving all the year-end financial statements before publishing the Budgetary-Legal Basis Annual Report ("BLBAR"), and the aforementioned funds are now reported with encumbrance accruals. In fiscal year 2023-24, the increase in Reserve for Liquidation of Encumbrances is mainly due to an increase in encumbered Local Assistance expenditures being recorded in the General Fund and the Greenhouse Gas Reduction Fund. In fiscal year 2024-25, the abnormal balance was mainly due to the reversal of prior year accrued encumbrances being greater than the current year accrued encumbrances for Local Assistance in the General Fund.

(Footnotes Continued on Following Page)

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(c) The increase in State Operations in fiscal year 2021-22 is mainly due to the Golden State Stimulus II Tax Refund program from the General Fund, pursuant to Welfare and Institutions Code Section 8150.2. In fiscal year 2023-24, the decrease in State Operations is primarily due to the discontinuation of the one-time $9 billion Better for Families Tax Refund, which had been provided to eligible Californians in fiscal year 2022-23.

(d) In fiscal year 2023-24, the increase in Local Assistance is primarily due to investments made by the State to expand Medi-Cal eligibility to all income-eligible adults and strengthen public health infrastructure, an increase in guaranteed minimum funding levels for TK-12 schools and community colleges under Proposition 98, and PSSSA activity being recorded in the BLBAR in addition to the ACFR in fiscal year 2023-24 due to timing.

(e) In fiscal year 2022-23, Capital Outlay expenditures decreased mainly due to Assembly Bill 180, Chapter 44, Budget Act of 2021, which shifted spending from the Greenhouse Gas Reduction Fund to High-Speed Passenger Train Bond Fund.

(f) In fiscal year 2020-21, the California Conservation Corps was not able to submit fiscal year 2020-21 financial statements for the General Fund and the Collins-Dugan California Conservation Corps Reimbursement Account prior to the cut-off for producing the BLBAR. The Energy Resources Conservation and Development Commission was not able to submit fiscal year 2020-21 financial statements for the Energy Resources Programs Account, Federal Trust Fund, Alternative and Renewable Fuel and Vehicle Technology Fund, Electric Program Investment Charge Fund, Greenhouse Gas Reduction Fund, and the Cost of Implementation Account, Air Pollution Control Fund prior to the cut-off for producing the BLBAR. The State Controller's Office included cash basis amounts from its legacy system for these eight funds in the BLBAR. In fiscal year 2024-25, Department of Rehabilitation was not able to submit fiscal year 2024-25 financial statements for the General Fund, Traumatic Brain Injury Fund, Deaf and Disabled Telecommunications Program Administrative Committee Fund, Vending Stand Fund, Orientation Center for The Blind Trust Fund, Rehabilitation Revolving Loan Guarantee Fund, Public Awards Fund, Federal Trust Fund, Special Deposit Fund, Fiduciary Funds Outside the Centralized Treasury System, Opioid Settlements Fund, Home and Community-Based Services American Rescue Plan Fund, and BEP Vendor Loan Interest Rate Buy-Down Fund prior to the cut-off for producing the BLBAR. The State Controller's Office included cash basis amounts from its legacy system for these thirteen funds in the BLBAR.

(g) Deferred Payroll represents the amount of June payroll expenses deferred to July of the following fiscal year, for all state departments paid through the uniform payroll system. The Department of Finance, pursuant to Government Code Sections 12472.5 and 13302, implemented the deferrals of June payroll expenditures for various governmental and nongovernmental cost funds. Assembly Bill 171, Chapter 52, Statutes of 2024 updates and amends GC 12472.5 and 13302(d) to defer payroll from June to July of the following year, in 2024-25.

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

Budget Reserves

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

The SFEU is funded with General Fund revenues and was established to protect the state from unforeseen revenue reductions and/or unanticipated expenditure increases. The State Controller may transfer funds from the SFEU to the General Fund as necessary to meet cash needs of the General Fund, and such transfers are characterized as "loans." The State Controller is required to return moneys so transferred, without payment of interest, as soon as there are sufficient moneys in the General Fund. At the end of each fiscal year, the State Controller is required to transfer from the SFEU to the General Fund any amount necessary to eliminate any deficit in the General Fund. In addition, in certain circumstances, moneys in the SFEU are used in connection with disaster relief. Such moneys are treated as an expenditure from the General Fund and such use is not treated as a loan subject to repayment.

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

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

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

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

Proposition 58, approved in March 2004, created the BSA as a second budgetary reserve and established the process for transferring General Fund revenues to the BSA. Beginning with fiscal year 2015-16, the BSA provisions of Proposition 58 were superseded by Proposition 2.

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

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

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

- Allows the withdrawal of funds from the BSA only for a budget emergency, as defined. The maximum amount that can be withdrawn in the first year is limited to half of the BSA balance.

- Sets the maximum amount to be reserved in the BSA for a fiscal year at 10 percent of General Fund tax revenues. When the amount in the BSA is equal to its then maximum amount, any amount that otherwise would have been deposited in the BSA may be spent only on infrastructure, including deferred maintenance.

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

As part of the 2025 Budget Act, the Governor declared a fiscal budget emergency on June 27, 2025, which allowed the Legislature to suspend the required transfer to the BSA for fiscal year 2025-26 and withdraw $7.1 billion from the BSA. The 2026 Budget Act suspends the required true-up transfer of $5.4

billion in fiscal year 2025-26. The 2026 Budget Act projects deposits of $0.3 billion for fiscal year 2024-25 and $3.6 billion for fiscal year 2026-27, resulting in a projected BSA balance of $15.1 billion at the end of fiscal year 2026-27.

Under current projections, Proposition 2 will result in a total of $25.8 billion in reductions of debts and liabilities through fiscal year 2026-27. See Table 6 for the current debt payment plan.

ACA 20 (Gabriel) included as a measure on the state's November 2026 General Election ballot as Proposition 2 (2026), would make certain changes to the BSA. See "OVERVIEW — General Fund Revenues, Expenditures and Cash Management."

3. *Safety Net Reserve Fund*

The 2018 Budget Act created the Safety Net Reserve Fund, an additional reserve created specifically to protect safety net services during an economic downturn. The Safety Net Reserve Fund currently has a zero balance and there are no plans to provide additional resources into the fund.

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

Proposition 2 created the "PSSSA" or "Public School System Stabilization Account" that serves as a Proposition 98 reserve and requires a deposit into the fund and withdrawals from the fund under specified conditions. The 2025 Budget Act projected a mandatory deposit of approximately $0.5 billion in fiscal year 2024-25 and a mandatory withdrawal of the same amount in fiscal year 2025-26, resulting in a zero balance in the PSSSA. The 2026 Budget Act projects a $5.3 billion deposit in fiscal year 2024-25 and a $3.4 billion deposit in fiscal year 2025-26. The 2026 Budget Act also proposes a discretionary deposit of $0.5 billion in fiscal year 2025-26 for a total projected balance of $9.2 billion in the PSSSA at the end of fiscal year 2026-27.

5. *Projected Surplus Temporary Holding Account*

The Projected Surplus Temporary Holding Account was established in 2024 and allows the Legislature to set aside a portion of anticipated surplus General Fund revenue from one fiscal year and allocate it in a subsequent fiscal year as an additional tool for budget resiliency. Funds transferred to the Projected Surplus Temporary Holding Account cannot remain in the account for more than one year from the date of deposit and must be transferred back to the General Fund unless the following Budget Act appropriates all or part of the funds for other state purposes.

The 2026 Budget Act provides a transfer of $6.4 billion into the Projected Surplus Temporary Holding Account and as required by law, the enacted budget allocates the same amount in fiscal year 2027-28. This is the first time a deposit has been made into the account.

STATE FINANCES — OTHER ELEMENTS

Pension Systems

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

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

The state has always made its mandatory contributions. The annually required General Fund contributions to CalPERS and CalSTRS are approximately $5.2 billion and $4.8 billion, respectively, for fiscal year 2026-27.

Each system currently has unfunded liabilities in the tens of billions of dollars (See "DEBTS AND LIABILITIES UNDER PROPOSITION 2"). Both systems have taken steps in recent years to address these gaps, which in combination of changes in investment returns, projected payroll growth, and other factors, will impact state contributions in future years. Detailed information about the two retirement systems, including information regarding the unfunded liabilities of each system, is contained in EXHIBIT 1 — "PENSION SYSTEMS."

Retiree Health Care Costs

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

As of June 30, 2025, the most recent measurement date of the net OPEB liability, approximately 218,000 retirees were enrolled to receive health benefits and approximately 221,000 to receive dental benefits. Employees vest for those benefits after serving from 10 to 25 years (depending on date of hire) with the state. Vesting timelines are determined based on the combination of the date of hire and the bargaining units and/or employee categories (state, CSUs, judges, or legislators) to which the employees belong. The long-term costs for the state's OPEB may negatively affect the state's financial condition if the state does not adequately manage such costs.

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

- Recognition of the unfunded actuarial accrued liability (UAAL; i.e., Net OPEB Liability) in the financial statements.

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

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

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

The state's latest OPEB actuarial valuation report as of June 30, 2025, was prepared by the private actuarial firm, Gabriel, Roeder, Smith & Company ("GRS"), which was tasked with calculating the state's liability for these benefits. The report will be utilized to report OPEB liabilities and accounting elements in the state's GAAP basis audited basic financial statements for the fiscal year ended June 30, 2026. The actuarial valuations contained in the report cover the cost estimates for existing employees, retirees and dependents. The objective of the report was to determine the liabilities associated with OPEB provided to the state's employees in compliance with GASB standards and to develop the actuarial funding costs assuming a full-funding policy. The economic assumptions for price and wage inflation used in the report were 2.50 percent and 2.80 percent, respectively.

The report provides actuarial liabilities using a blended discount rate that is based on a 20-year general obligation bond index if benefits are financed on a pay-as-you-go basis, and the expected return on trust assets if pre-funding assets are available to pay benefits. The state's OPEB actuarial valuation report as of June 30, 2025, reports a TOL of $89.41 billion, of which $77.82 billion is unfunded.

An actuarially determined contribution ("ADC") was developed assuming a full-funding interest rate of 6.00 percent. The ADC represents the annual employer contribution that along with member contributions and investment income is projected to fully fund the program in approximately 22 years.

The TOL decreased from $100.49 billion as of June 30, 2024, to $89.4 billion as of June 30, 2025, representing a change of $11.08 billion. If the prior year assumptions had been realized, the TOL would have increased by $4.27 billion, to $104.76 billion as of June 30, 2025. The primary factors resulting in the $15.35 billion of unexpected decrease in actuarial liabilities include:

- Demographic experience decreased the expected actuarial liabilities by 2.88 percent or $3.02 billion.

- During the year, unfavorable healthcare claims experience and plan design changes increased the expected total OPEB liability by approximately 1.20 percent or $1.26 billion. This change in total OPEB liability is mainly driven by the relationship between the assumed trend rate used to project average member claims cost in 2025 (used in last year's actuarial valuation) and the actual trend rate for 2025 (used to update average per member claim costs) and the actual trend rate for the 2026 premium increases. During plan year ended June 30, 2025, average per member claim costs were slightly higher than assumed.

- The healthcare trend rates are updated as part of the annual actuarial valuation process. These assumptions are used to project the employer's net healthcare costs. Separate rates are assumed for pre-Medicare and post-Medicare coverage. Updating the trend rates including Employer Group Waiver Plan/Inflation Reduction Act adjustment increased the liabilities by about 1.54 percent or $1.62 billion.

- Changing the pension-related assumptions based on the CalPERS 2025 experience study decreased the liabilities by about 1.75 percent or $1.84 billion.

- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2024, which ranged from 3.97 percent to 4.50 percent, to the blended discount rate as of June 30,

2025, which ranges from 5.20 percent to 5.40 percent, decreased the total OPEB liability by 12.77 percent or $13.37 billion.

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

The following table presents information related to the actuarial funding costs assuming a full-funding policy and GASB Statement No. 75 Accounting and Reporting for OPEB for five fiscal years, as of the valuation date indicated below:

TABLE 16
OPEB Full-Funding[(a)]
(Dollars in Billions)

Fiscal Year	Actuarially Determined Contribution ("ADC")	Employer Contribution	Percentage of ADC Contribution	Actuarial Accrued Liability (Total OPEB Liability)	Unfunded Actuarial Accrued Liability (Net OPEB Liability)
2020-21	$4.71	$3.12	66%	$99.53	$95.51
2021-22	4.17	4.03	97	87.54	82.41
2022-23	4.69	3.49	74	92.03	85.18
2023-24	5.08	3.68	72	100.49	91.48
2024-25	5.71	4.04	71	89.41	77.82

[(a)] Long-term assumed return on assets is 6.00% for full funding.

Source: State of California OPEB Valuation as of June 30, 2025, under GASB Statement No. 75 (State Controller's Office).

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

TABLE 17
Actual Costs/Budget for
Other Postemployment Benefits
(Dollars in Thousands)

Fiscal Year	(A) State Employees All Funds[b]	(B) State Employees General Fund	(C) CSU Employees General Fund	(D) Employer OPEB Prefunding All Funds[c]	(E) Employer OPEB Prefunding General Fund[c]	(A)+(C)+(D) Total Contributions All Funds	(B)+(C)+(E) Total Contributions General Fund[d]
2022-23	$ 2,134,075	$ 2,134,075	$ 374,398	$ 735,000	$ 365,000	$ 3,243,473	$ 2,873,473
2023-24	2,374,087	2,374,087	420,394	645,000	345,000	3,439,481	3,139,481
2024-25	2,577,840	2,577,840	454,195	682,000	365,000	3,714,035	3,397,035
2025-26[a]	2,861,133	2,861,133	539,197	32,433[e]	12,692[e]	3,432,763	3,413,022
2026-27[a]	3,205,158	3,205,158	605,005	0[e]	0[e]	3,810,163	3,810,163

[a] Estimated Contributions.

[b] "Pay-as-you-go" contributions from General Fund and Public Employee's Contingency Reserve Fund.

[c] Amount reflects the employer contribution to pay down the OPEB unfunded liability.

[d] Contributions for postemployment benefits are included for all years displayed in this table.

[e] Amount reflects OPEB suspension of state employer and most state employees' contributions for fiscal years 2025-26 and 2026-27 based on agreements reached between the state and all 21 bargaining units.

Source: State of California, Department of Finance.

1. *Ongoing Efforts*

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

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

The funding schedule for these agreements generally phased in contributions over three years beginning July 1, 2016, July 1, 2017, or July 1, 2018, depending on the bargaining unit. New employees are subject to a lower employer contribution for future retiree health benefits and a longer vesting period to qualify for the retiree health care contribution. Successor contract agreements with all 21 bargaining units require all rank-and-file state employees to make OPEB contributions to prefund those benefits and address the $77.8 billion (as of June 30, 2025) net unfunded liability for retiree health benefits. Additionally, as determined annually by the California Department of Human Resources, related excluded and exempt employees also prefund retiree health benefits. State employees of the judicial branch are also subject to the prefunding strategy and retiree health provisions.

The state has set aside funds in a prefunding trust fund to pay for future retiree health benefits. As of the end of fiscal year 2025-26, the trust fund balance totaled $13.8 billion in assets.

The 2022-23 Budget, 2023-24 Budget, and 2024-25 Budget included $365 million, $345 million, and $360 million, respectively, in one-time Proposition 2 funding for the employer's share of General Fund prefunding contributions. The 2025-26 and 2026-27 Budgets include $13 million and $0, respectively, in one-time Proposition 2 funding for the same purpose. The decrease in Proposition 2 funding in the 2025-26 and 2026-27 Budgets from the prior three fiscal years was due to the suspension of OPEB contributions for both state employer and employees negotiated with the state's bargaining units.

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

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

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

State Appropriations Limit

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

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

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

The Appropriations Limit in each year is based on the Appropriations Limit for the prior year, adjusted annually for changes in state per capita personal income and changes in population, and adjusted, when applicable, for any transfer of financial responsibility of providing services to or from another unit of government or any transfer of the financial source for the provisions of services from tax proceeds to regulatory licenses, user charges, or user fees. The measurement of change in population is a blended average of statewide overall population growth and the change in attendance at TK-14 education districts. The Appropriations Limit is tested over consecutive two-year periods. Any excess of the aggregate

"proceeds of taxes" received over such two-year period above the combined Appropriations Limits for those two years is divided equally between transfers to TK-14 education districts and refunds to taxpayers.

The state has rarely exceeded its appropriations limit. In recent years, however, state appropriations have trended closer to the limit, and in fiscal year 2018-19, total spending exceeded the limit by $1.9 billion and total spending exceeded the limit in fiscal year 2020-21 by $17.2 billion (although it did not exceed the two-year constitutional limit).

Proposition 35 (2024), approved by voters in November 2024, includes a provision to temporarily increase the state's Appropriations Limit for four years by the amount of tax revenue generated by the initiative. Pursuant to that provision, the 2026 Budget Act includes an increase of $6.7 billion in the Appropriations Limit in fiscal year 2026-27.

The 2026 Budget Act estimates that the state is under the limit in fiscal years 2024-25, 2025-26, and 2026-27 by $4.5 billion, $8.3 billion, and $27.3 billion, respectively.

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

The following table shows the Appropriations Limit for fiscal years 2022-23 through 2026-27.

TABLE 18
State Appropriations Limit
(Dollars in Millions)

	Fiscal Year				
	2022-23	**2023-24**	**2024-25**	**2025-26**	**2026-27**
State Appropriations Limit	$135,650	$141,492	$147,597	$166,892	$182,027
Appropriations Subject to Limit	(104,826)	(126,769)	(143,147)	(158,583)[(a)]	(154,714)[(a)]
Amount (Over)/Under Limit	$30,824	$14,723	$4,450	$8,309[(a)]	$27,313[(a)]

[(a)] Estimated/projected.

Source: State of California, Department of Finance.

Local Government Impacts on State Finances

The primary units of local government in California are the 58 counties, which range in population size from less than 1,200 residents in Alpine County to almost 10 million in Los Angeles County. County governments provide many basic services, including indigent health care, social services, jails, and public safety in unincorporated areas. In addition, there are 482 incorporated cities in California and thousands of special districts formed to provide various services. The fiscal condition of these local governments can impact the state's financial condition and flexibility as summarized below.

1. *Constitutional and Statutory Limitations*

The fiscal condition of local governments changed when Proposition 13 was approved by California voters in 1978. Proposition 13 reduced and limited the future growth of local property taxes and

limited the ability of local governments to impose "special taxes" (devoted to a specific purpose) without two-thirds voter approval.

In the aftermath of Proposition 13, the state provided aid to local governments, including from the General Fund, to make up for the local governments' loss of property tax revenue. Significantly, the state assumed a much larger responsibility for funding TK-14 education. In 1988, Proposition 98 established a minimum guaranteed level of funding for TK-14 education with a combination of local property taxes and state General Fund. See "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — State Expenditures — *TK-14 Education under Proposition 98*."

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

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

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

Part of the state-local agreement was a reduction of the vehicle license fee ("VLF") rate from 2 percent to 0.65 percent of the market value of the vehicle. To protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue was backfilled by an increase in the amount of property tax revenues they receive. This arrangement benefited local government finances because the annual backfill amount increased in proportion to the growth in property tax revenues, which historically has grown at a higher rate than VLF revenues. This arrangement continues without change in the 2026 Budget Act.

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

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

2. *Property Tax Revenues*

The amount of property tax revenue generated each year can affect the state General Fund budget because local property tax revenue is allocated to offset General Fund expenditures for TK-14 education required by Tests 2 and 3 of Proposition 98. Under Test 2 of Proposition 98, which was operative in fiscal year 2023-24, prior year Proposition 98 funding is adjusted for attendance and change in per capita personal

income tax. Under Test 1 of Proposition 98, which is operative in fiscal year 2024-25 and fiscal year 2025-26, property tax revenue supplements instead of offsets the state's General Fund obligation for schools. As of the 2026 Budget Act, Test 1 is projected to be operative in fiscal year 2026-27, and statewide property tax revenues are estimated to increase 5 percent in fiscal year 2025-26 and 4.9 percent in fiscal year 2026-27. Property tax estimates used in the calculation of the Proposition 98 minimum guaranteed level of funding are based on growth in statewide property taxes, but also include other factors such as excess tax, dissolved redevelopment agency funds, and the shift of property taxes from local governments to TK-14 schools into the ERAF.

3. *Dissolved Redevelopment Agency Funds*

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

As noted above, property tax revenue allocated to school and community college districts supplements the funding schools receive from the state's General Fund under Test 1 and offsets the funding schools receive from the state's General Fund under Tests 2 and 3 of Proposition 98. The 2026 Budget Act estimates that schools and community college districts will receive an additional $3.8 billion in fiscal year 2025-26 and $4 billion in fiscal year 2026-27 from redirected RDA property tax revenues. Such additional revenues are projected to average $4.7 billion per year from fiscal year 2027-28 through fiscal year 2030-31, with annual growth proportionate to the changes in property tax growth, and the rate at which the enforceable obligations of the former RDAs are retired.

4. *Realigning Services to Local Governments*

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

Other realigned programs include local public safety programs, behavioral health, substance abuse, foster care, child welfare services, and adult protective services. The 2011 Realignment is funded through two sources in fiscal year 2026-27: (1) a state special fund sales tax of 1.0625 percent (projected to total $9.9 billion) and (2) $928.7 million in VLF, projected as of the 2026 Budget Act. General Fund savings have been over $2.5 billion annually from the realigned programs beginning in fiscal year 2011-12. The state estimates savings of $4.1 billion in fiscal year 2026-27. These projections exclude the extended Prewritten Software Tax, which takes effect January 1, 2027. The Prewritten Software Tax extension to purely digital software is projected to increase 2011 Realignment sales tax revenues by approximately $121 million in fiscal year 2026-27.

Unemployment Insurance

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

Due to the significant increase in unemployment resulting from the COVID-19 pandemic, employer contributions in the state were not sufficient to cover the cost of the benefits to state claimants in 2020 and 2021. In April 2020, in accordance with federal law, the state began to fund deficits in the state UI Fund through a federal loan to support benefit payments. Pursuant to federal law, if the state is unable to repay the loan within the same year it is taken, state funds must be used to pay the annual interest payments on the borrowed funds. The Employment Development Department's ("EDD") May 2026 forecast continues to estimate that total disbursements from the UI Fund will exceed receipts. These estimates consider the decrease in Federal Unemployment Tax Act ("FUTA") tax credits described below.

The principal amount of the state UI Fund federal loan was $21.4 billion at the end of calendar year 2025. Using the current economic outlook and unemployment projections, the principal amount of the state UI Fund federal loan is projected to be $22.0 billion at the end of calendar year 2026 and $21.4 billion at the end of calendar year 2027. As stated above, an increase to the UI Fund federal loan in calendar year 2026 is due to the projected UI disbursements being higher than the estimated UI tax receipts. The projected decrease to the UI Fund federal loan in calendar year 2027 is the result of increases in receipts from employers generated by the FUTA tax credit reduction offsetting the difference between projected UI disbursements and UI tax receipts.

The state is only responsible for payment of interest on the UI Fund federal loan. Repayment of the principal on the UI Fund federal loan is strictly an employer responsibility, and not a liability of the state's General Fund. The state may, as a policy choice, choose to pay down the principal amount of the state's UI Fund federal loan. The 2022 Budget Act included $250 million in federal funds in fiscal year 2022-23 to reduce the principal amount of the state's UI Fund federal loan. The 2026 Budget Act does not include any additional payments towards the principal of the outstanding UI federal loan. However, the Administration recently directed the Labor and Workforce Development Agency to assess potential concepts to pay down the outstanding UI loan balance.

ACA 20 (Gabriel), passed in June 2026, may provide an additional mechanism for the state to address the outstanding UI Fund federal loan. ACA 20 (Gabriel) will be included as a measure on the state's November 2026 General Election ballot. If passed, ACA 20 (Gabriel) would allow the state to use Proposition 2 funding for paying down federal UI loan debt. See "OVERVIEW — General Fund Revenues, Expenditures, and Cash Management."

To further ensure that the state's UI Fund federal loan is repaid, when a state has an outstanding loan balance for two consecutive years, the federal government reduces the FUTA credit provided to employers. This is equivalent to an increase in the FUTA tax on employers and is intended to result in paying down the state UI Fund federal loan. California employers began to see this adjustment for tax year 2022 in 2023. Despite the increase in UI tax revenue, the UI program's average weekly benefit payments have continued to grow. In calendar year 2024, benefit disbursements exceeded projected state UI tax receipts by $1.9 billion as of November 2025. As of May 2026 estimates, for calendar year 2025, benefit disbursements are projected to exceed state UI tax receipts by $1.3 billion. Although employers have been subject to FUTA tax increases since 2022, the receipts from these tax increases have gone towards funding the difference between the UI benefit disbursements and state UI tax receipts each year. Based on May 2026 projections, starting in 2027 (for tax year 2026), the receipts from the FUTA tax increases are estimated to be sufficient to cover the difference between UI benefit disbursements and state UI tax receipts while also contributing towards paying down the UI Fund loan principal.

The interest due depends on a variety of factors, including the actual amount of the UI Fund federal loan that is outstanding (which in turn will depend on the state rate of unemployment, employer contributions to the state UI Fund, and any state or federal law changes relating to the funding of the

programs) and the interest rate imposed by the federal government. The 2026 Budget Act includes approximately $668 million General Fund for the anticipated interest payment due September 30, 2026.

Due to the current outstanding principal balance for the UI Fund federal loan, EDD estimates the annual interest payment in fiscal year 2027-28 and future fiscal years will range from $600 million to $660 million from the General Fund, although this will depend on factors such as the state's economic health, the UI Fund loan balance, and interest rates.

A portion of the UI Fund loan balance is the result of ineligible payments made by EDD, although most ineligible payments occurred in the much larger federal pandemic unemployment programs funded by the federal government and administered by the state. As of December 2025, of the $206 billion in state UI and federal pandemic benefit payments issued since March 2020, approximately $50 billion was estimated to be associated with ineligible payments. The state UI program accounted for $64 billion of the $206 billion in UI benefit payments and approximately $4 billion of the $50 billion in estimated ineligible payments. The remaining $46 billion in estimated ineligible payments is associated with the federal pandemic unemployment programs and is not a liability of the state's employers and does not impact the required interest payments on the state's UI Fund federal loan.

Current federal guidance is that the federal government will not require repayment of the estimated $46 billion of ineligible payments related to federal pandemic unemployment programs but does require EDD to make efforts to recover such payments. Recovered funds will be remitted to the UI program from which such payment was made (either from the state UI program or one of the federal pandemic unemployment programs, as applicable). Most of the recovered funds will return to the federal government because most of the ineligible payments are from the emergency federal Pandemic Unemployment Assistance program. EDD has seized or recovered almost $6 billion in unemployment funds, and EDD continues to attempt to recover ineligible payments where possible.

On February 6, 2026, the U.S. Department of Labor ("DOL") Employment and Training Administration ("ETA") sent a letter to EDD stating that, due to certain performance metrics, the state should expect intensive ETA engagement in the months following the issuance of the letter to improve the performance of the state UI program. According to the ETA, this engagement was intended to assist the state in improving certain key areas identified in this letter as underperforming, including, but not limited to, reducing the state's improper payment rate, addressing insufficient first payment timeliness, and the accuracy and quality of the state's data related to administration of the state's UI program. EDD engaged with the ETA over the succeeding months to provide the information requested, and the ETA informed EDD that the ETA would provide a subsequent report on their findings. The DOL contacted EDD in September 2026 about the ETA's review and the DOL is planning to hold the exit conference with EDD on October 2, 2026. EDD indicates that, during the exit conference, DOL may share monitoring outcomes and any follow-up that DOL may expect from EDD as well as the timeline regarding when DOL may issue a report.

On June 17, 2026, the federal Secretary of Labor sent a letter to states to announce the federal Administration's intention to withhold UI administrative funding to force compliance with directives that will be provided at an unspecified later date. The letter states the intention of withholding these funds is to reduce systemic issues with the UI programs in six states, including California. No directives have yet been provided as of the beginning of August 2026. EDD receives approximately $380 million annually in UI administrative funding from the federal government. No federal UI administrative funding has yet been withheld by the federal government.

CASH MANAGEMENT

Traditional Cash Management Tools

1. *General*

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

2. *Internal Borrowing*

The General Fund is currently authorized by law to borrow for cash management purposes from more than 800 of the state's approximately 1,500 other funds and accounts in the State Treasury (the "special funds" and each a "special fund"). Total borrowing from special funds must be approved quarterly by the Pooled Money Investment Board ("PMIB"). The State Controller submits an authorization request to the PMIB quarterly, based on forecasted available funds and borrowing needs. The Legislature may from time to time adopt legislation establishing additional authority to borrow from special funds. As of the 2026-27 Budget Act, the General Fund was projected to have at least $83 billion of internal funds (excluding the BSA, SFEU and the PSSSA) available to borrow through fiscal year 2026-27. See "— Inter-Fund Borrowings" for a further description of this process.

One fund from which moneys may be borrowed to provide additional cash resources to the General Fund is the BSA, the balance of which increased from $9.9 billion in September 2025 to $11.2 billion in October 2025. The balance of the BSA is projected to increase to $15 billion in September 2026, and then remain the same until the end of fiscal year 2026-27 according to the 2026-27 Budget Act. The state also may transfer funds into the General Fund from the SFEU, which is not a special fund. See also "— Inter-Fund Borrowings" and "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves" for a further description of this process.

3. *External Borrowing*

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

RANs and RAWs are both payable from any "Unapplied Money" in the General Fund on their maturity date, subject to the prior application of such money in the General Fund to pay Priority Payments. "Priority Payments" consist of: (i) the setting apart of state revenues in support of the public school system and public institutions of higher education (as provided in Section 8 of Article XVI of the state Constitution); (ii) payment of the principal of and interest on general obligation bonds and general obligation commercial paper notes of the state as and when due; (iii) a contingent obligation for General Fund payments to local governments for certain costs for realigned public safety programs if not provided from a share of state sales and use taxes, as provided in Article XIII, Section 36 of the state Constitution, enacted by Proposition 30 (see "STATE FINANCES — REVENUES, EXPENDITURES AND

RESERVES — Restrictions on Raising or Using General Fund Revenues"); (iv) reimbursement from the General Fund to any special fund or account to the extent such reimbursement is legally required to be made to repay borrowings therefrom pursuant to Government Code Sections 16310 or 16418; and (v) payment of state employees' wages and benefits, required state payments to pension and other state employee benefit trust funds, state Medi-Cal claims, lease payments to support lease revenue bonds, and any amounts determined by a court of competent jurisdiction to be required by federal law or the state Constitution to be paid with state warrants that can be cashed immediately. See "— State Warrants." If the State Treasurer's Office is required to issue debentures to the holders of a defaulted loan supported by Cal-Mortgage Loan Insurance, the priority of payment from the General Fund of such debentures would be on parity with state general obligation bonds and commercial paper notes. To date such debentures have never been issued. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS — Department of Health Care Access and Information Guarantees."

Inter-Fund Borrowings

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

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

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

The following table shows actual internal borrowable resources available for temporary cash management loans to the General Fund on June 30 of each of the fiscal years 2022-23 through 2025-26, and estimates for fiscal year 2026-27 based on the 2026-27 Budget Act. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

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TABLE 19
Internal Borrowable Resources
(Cash Basis)
(Dollars in Millions)

	Fiscal year ended June 30[a]				
	2023[b]	**2024**	**2025**	**2026**	**2027[c]**
Internal Borrowable Resources	$ 100,663	$ 105,966	$ 91,556	$ 85,515	$ 109,703
Less Reserve for PMIA and SMIF loans	3,090	2,626	1,681	1,036	1,060
Available Borrowable Resources	$ 97,573	$ 103,340	$ 89,875	$ 84,480	$ 108,643
Outstanding Loans					
From Special Fund for Economic Uncertainties	0	0	0	0	0
Budget Stabilization Account	0	0	0	0	0
From Special Funds and Accounts	0	0	0	0	0
Total Outstanding Internal Loans	$ 0	$ 0	$ 0	$ 0	$ 0
Unused Internal Borrowable Resources	$ 97,573	$ 103,340	$ 89,875	$ 84,480	$ 108,643

[a] Totals may not add due to rounding.

[b] Includes the final $600 million payment by the State of California Department of Water Resources on the $2 billion SMIF loan issued in 2019 under AB 1054 and now fully repaid as required by AB 1054.

[c] Estimated.

Source: Fiscal years ended June 30, 2023 through June 30, 2026: State of California, Office of the State Controller. Fiscal years ending June 30, 2027: State of California, Department of Finance.

Cash Management Borrowings

As part of its cash management program, prior to fiscal year 2015-16 the state regularly issued short-term obligations to meet cash management needs. RANs were issued in every year except one between 1983 and 2014 with the most recent issues of RANs ranging in aggregate principal amounts of approximately $2 billion to $10 billion. See "— Traditional Cash Management Tools — External Borrowing" above. More recently, with the state's budget and cash position through fiscal year 2024-25, and the growth of internal borrowable resources from special funds including new reserve funds, the state has not had to use external borrowing since the last RAN issue in fiscal year 2014-15. See Table 19. Based on current cash projections, no RANs are planned through fiscal year 2026-27. See "— Cash Management in Fiscal Year 2026-27" below.

Cash Management in Fiscal Year 2026-27

In July of each fiscal year, the State Controller does a projection of Unused Internal Borrowable Resources balances for the fiscal year based on the cash flow estimates in the related budget act. If it is projected that Unused Internal Borrowable Resources, at any time during such fiscal year, could fall below levels that the Controller thinks prudent, the state's practice is to seek external borrowing (such as RANs). The state does not plan to issue any RANs in fiscal year 2026-27, the twelfth consecutive year in which external borrowing is not required.

The state has maintained significant cash resources over the last several years, and the 2026-27 Budget Act cash flow estimates for fiscal year 2026-27 indicate that this trend will continue. As a result, the state does not currently anticipate utilizing external borrowing in fiscal year 2026-27. Since 2019, the highest amount of borrowable resources the General Fund has borrowed was $21.8 billion and the lowest amount of unused available borrowable resources was $31.0 billion. In fiscal year 2026-27, the lowest projected amount of unused borrowable resources is approximately $83 billion.

State fiscal officers constantly monitor the state's cash position during each fiscal year. If it appears that cash resources, including cash available through inter-fund borrowing, may become inadequate to meet the state's General Fund payment obligations as they become due in the fiscal year, such officers consider the use of cash management techniques (including those described below), the issuance of RANs and/or seeking additional legislation.

Certain Cash Management Techniques

The state has employed cash management measures in addition to RANs during some fiscal years. All of the following techniques have been used at one time or another, but none of them are planned to be used during fiscal year 2026-27.

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

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

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

State Warrants

No money may be drawn from the State Treasury except upon a warrant duly issued by the State Controller. The State Controller is obligated to draw every warrant on the fund out of which it is payable for the payment of money directed by state law to be paid out of the State Treasury; however, a warrant may not be drawn unless authorized by law and unless unexhausted specific appropriations provided by

law are available to meet it. As described above, state law provides two methods for the State Controller to respond if the General Fund has insufficient "Unapplied Money" available to pay a warrant when it is drawn, referred to generally as "registered warrants" and "reimbursement warrants." "Unapplied Money" consists of money in the General Fund for which outstanding warrants have not already been drawn and which would remain in the General Fund if all outstanding warrants previously drawn and then due were paid subject to the prior application of such money to obligations of the state with a higher priority. See "CASH MANAGEMENT — Traditional Cash Management Tools." Unapplied Money may include moneys transferred to the General Fund from the SFEU and the BSA and internal borrowings from state special funds (to the extent permitted by law); however, the state is not obligated to utilize inter-fund borrowings for the payment of state obligations if insufficient Unapplied Money is available for such payment. See "— Inter-Fund Borrowings" and "STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES — Budget Reserves."

1. *Registered Warrants*

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

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

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

2. *Reimbursement Warrants*

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

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

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

3. *Refunding Reimbursement Warrants*

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

STATE INDEBTEDNESS AND OTHER OBLIGATIONS

General

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

Capital Facilities Financing

1. *General Obligation Bonds*

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

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

A summary of the general obligation bonds outstanding as well as authorized by the voters but unissued, as of July 1, 2026, is set forth in the following table. For greater detail, see the table "Authorized and Outstanding General Obligation Bonds" following the caption "STATE DEBT TABLES." Monthly updates of the State Debt Tables are available at www.buycaliforniabonds.com. Such updates and the information on the website are not part of or incorporated into APPENDIX A.

General Obligation Bonds
(as of July 1, 2026)

Outstanding		Authorized but Unissued	
Primarily Payable from General Fund	Self-Liquidating	Primarily Payable from General Fund*	Self-Liquidating
$72.1 billion	$964.1 million	$39.1 billion	$406.1 million

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

Two general obligation bond measures will be on the November 3, 2026 California ballot. If approved by voters, Proposition 1, the "Veterans and Affordable Housing Bond Act of 2026" would authorize $11.25 billion in new general obligation bonds, $1.25 billion of which would be self-liquidating general obligation bonds, and Proposition 38, the "Medical Research Bond Act" would authorize $8.4 billion in new general obligation bonds.

2. *Variable Rate General Obligation Bonds*

The state's general obligation bond law permits the state to issue as variable rate indebtedness up to 20 percent of the aggregate amount of its long-term general obligation bonds outstanding. The State Treasurer has adopted a Debt Management Policy that, as of the date hereof, further reduces this limitation on variable rate indebtedness to 10 percent of the aggregate amount of long-term general obligation bonds outstanding. The terms of this policy, including this 10 percent limitation, can be waived or changed in the sole discretion of the State Treasurer. The state's long-term general obligation bonds issued as variable rate indebtedness are described generally in the following table and, as of July 1, 2026, represent about 1.60 percent of the state's total outstanding general obligation bonds.

Type of Bonds	Outstanding Principal Amount ($000) as of July 1, 2026	Current Variable Rate Interest Mode	Liquidity Support[(a)]
General Obligation	$ 1,169,500	Daily/Weekly VRDO	Letters of Credit

(a) See the caption "BANK ARRANGEMENTS TABLE."

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

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

3. *General Obligation Commercial Paper Program*

Pursuant to legislation enacted in 1995, voter-approved general obligation indebtedness may be issued either as long-term bonds or, for some but not all bond acts, as commercial paper notes. The principal amounts of commercial paper notes are typically paid with proceeds of new commercial paper notes or proceeds from the issuance of long-term bonds. Interest on commercial paper notes is required to be paid from the General Fund. The state primarily uses commercial paper notes to provide interim funding for voter-approved projects under a bond act until long-term bonds are issued. Commercial paper notes are not included in the calculation of permitted variable rate indebtedness described under "Variable Rate General Obligation Bonds." As of July 1, 2026, payment of a total of $2.45 billion in principal amount of commercial paper notes, plus interest thereon, is supported by credit agreements with financial institutions. See the following section "Bank Arrangements." The aggregate principal amount of commercial paper notes outstanding from time to time cannot exceed the aggregate principal amount then supported by such credit agreements. See "BANK ARRANGEMENTS TABLE" for a list of credit agreements that support payment of particular series of commercial paper notes.

4. *Bank Arrangements*

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

5. *Lease Revenue Obligations*

In addition to general obligation bonds, the state acquires and constructs capital projects through the issuance of lease revenue obligations. Such borrowing must be authorized by the Legislature in a separate act or appropriation. Under these arrangements, the State Public Works Board ("SPWB"), another state or local agency, or a joint powers authority uses proceeds of bonds to finance the acquisition or construction of a wide range of capital projects. These capital projects are leased to various state agencies under a long-term lease which provides the source of revenues which are pledged to the payment of the debt service on the lease revenue bonds. Under applicable court decisions, such lease arrangements do not constitute the creation of "indebtedness" within the meaning of the state constitutional provisions that require voter approval. For purposes of APPENDIX A and the tables under "STATE DEBT TABLES," the terms "lease revenue obligation," "lease revenue financing," "lease-purchase obligation" or "lease-purchase" mean principally bonds or certificates of participation for capital projects where the lease payments providing the security are payable from the operating budget of the respective lessees, which are primarily, but not exclusively, derived from the General Fund. A summary of the lease revenue bonds

outstanding as well as those authorized by the Legislature but unissued, in each case, as of July 1, 2026, is set forth in the following table.

General Fund Supported Lease Revenue Obligations
(As of July 1, 2026)

Outstanding	Authorized but Unissued
$9.7 billion	$6.6 billion

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

6. *Non-Recourse Debt*

Certain state agencies and authorities issue revenue obligations for which the General Fund has no liability. These revenue bonds represent obligations payable from state revenue-producing enterprises and projects (e.g., among other revenue sources, taxes, fees and/or tolls) and conduit obligations payable from revenues paid by private users or local governments of facilities financed by the revenue bonds. In each case, such revenue bonds are not payable from the General Fund. The enterprises and projects include transportation projects, various public works projects, public and private educational facilities (including the CSU and UC systems), housing, health facilities and pollution control facilities. For information about outstanding revenue obligations that are non-recourse to the General Fund issued by a particular state agency or conduit financing authority see the applicable website or EMMA filings of such agency or authority.

7. *Build America Bonds*

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

Between April 2009 and December 2010, the state issued $13.5 billion of BAB general obligation bonds and the SPWB issued $551 million of BAB lease-revenue bonds. As of July 1, 2026, the state has approximately $11.3 billion of outstanding BAB general obligation bonds and $328 million of outstanding BAB lease-revenue bonds. As of July 1, 2026, the aggregate amount of the subsidy payments expected to be received for interest payments on the BABs for fiscal year 2026-27 through the maturity of the outstanding BABs (the final BAB general obligation bonds maturity is in fiscal year 2040-41 and the final BAB lease-revenue bond maturity is in fiscal year 2034-35) is approximately $3.3 billion for the general obligation BABs and $57.6 million for the SPWB lease-revenue BABs. The estimated subsidy amounts include the expected reductions to the BAB subsidy for the remaining interest payments through 2032 from sequestration as described in the next paragraph.

Pursuant to certain federal budget legislation adopted in August 2011, starting as of March 1, 2013, the government's BAB subsidy payments were reduced as part of a government-wide "sequestration" of many program expenditures. The amount of the reduction of the BAB subsidy payment has ranged from a high of 8.7 percent in 2013 to a low of 5.7 percent for federal fiscal years 2021 through 2031. For federal fiscal year 2032, the sequestration rate is expected to be imposed at 2.8%. The amount of this reduction has been less than $30 million annually and such reductions are presently scheduled to continue through September 30, 2032.

Congress can terminate, extend, or otherwise modify reductions in BABs subsidy payments due to sequestration at any time and the sequestration reduction rate could be increased to as much as 100 percent in future years depending on the impact of other legislation that may be enacted by Congress. If the sequestration reduction rate were to increase to 100 percent in 2027 and remain in place through, for example, calendar year 2029, the state's BAB subsidy payments would be reduced by approximately $280 million per calendar year for 2027, 2028 and 2029.

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

Future Issuance Plans; General Fund Debt Ratio

Based on estimates the State Treasurer's Office received from the Department of Finance of department funding needs, the State Treasurer's Office estimates approximately $6.4 billion and $7.9 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $1.8 billion and $766 million of new money lease-revenue bonds will be issued in fiscal years 2026-27 and 2027-28, respectively. These estimates will be updated by the State Treasurer's Office based on sales that occur in fiscal year 2026-27 and by the Department of Finance from time to time based on updated funding needs and actual spending information provided by departments. The actual amount of new money bonds sold will also depend on other factors such as overall budget constraints, market conditions and other considerations. The state also expects to issue refunding bonds as market conditions warrant.

The ratio of debt service on general obligation and lease-revenue bonds supported by the General Fund, to annual General Fund revenues and transfers (the "General Fund Debt Ratio"), can fluctuate as assumptions for future debt issuance and revenue projections are updated from time to time. Any changes to these assumptions will impact the projected General Fund Debt Ratio. Based on the General Fund revenue estimates less any transfers to and from the BSA and Projected Surplus Temporary Holding Account contained in the 2026 Budget Act and the bond issuance estimates described in the paragraph above, the General Fund Debt Ratio is projected to equal approximately 3.83 percent in fiscal year 2026-27 and 3.85 percent in fiscal year 2027-28.

The General Fund Debt Ratio is calculated based on the amount of debt service expected to be paid, without adjusting for receipts from the U.S. Treasury for the state's current outstanding general obligation and lease-revenue BABs or the availability of any special funds that may be used to pay a portion of the debt service to help reduce General Fund costs. The total of these offsets is projected to be approximately $1.7 billion for each of fiscal year 2026-27 and fiscal year 2027-28. Including the projected offsets reduce the General Fund Debt Ratio to 3.09 percent in fiscal year 2026-27 and 3.14 percent in fiscal year 2027-28. The actual General Fund Debt Ratio in future fiscal years will depend on a variety of factors, including actual debt issuance (which may include additional issuance approved in the future by the Legislature and, for general obligation bonds, the voters), actual interest rates, debt service structure, and actual General Fund revenues and transfers.

See the table "OUTSTANDING STATE DEBT, FISCAL YEARS 2021-22 THROUGH 2025-26" under "STATE DEBT TABLES" for certain historical ratios of debt service to General Fund receipts.

Tobacco Settlement Revenue Bonds

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

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

Currently, the credit enhancement mechanism only applies to certain tobacco settlement bonds that were issued in 2021. As of June 1, 2026, these bonds had an outstanding principal amount of approximately $1.4 billion (the "2021 enhanced bonds"). The 2021 enhanced bonds are neither general nor legal obligations of the state and neither the faith and credit, nor the taxing power, nor any other assets or revenues of the state shall be pledged to the payment of the enhanced bonds. However, as described above, the state committed to request a General Fund appropriation from the Legislature in the event tobacco settlement revenues are insufficient to pay debt service on the 2021 enhanced bonds, and certain other available amounts, including the enhanced tobacco settlement bonds reserve fund, which currently supports only the 2021 enhanced bonds, are depleted. Every enacted budget since 2003 has included this appropriation, but use of the appropriated moneys has never been required.

In 2011 and 2012, draws on the enhanced tobacco settlement bonds reserve fund for then-outstanding enhanced tobacco settlement bonds in the amount of approximately $7.94 million were used to make required debt service payments. In April 2013, this reserve fund was replenished in full, from tobacco revenues. As of the last required valuation of the tobacco settlement bonds reserve fund on May 31, 2026, the tobacco settlement bonds reserve fund was funded more than the reserve requirement of $50 million, resulting in a release of the excess amount to prepay bonds on June 1, 2026. If, in any future year tobacco settlement revenues are less than required debt service payments on the enhanced bonds in such year, additional draws on this reserve fund will be required and, at some point in the future, this reserve fund may become fully depleted. The state is not obligated to replenish the enhanced tobacco settlement bonds reserve fund from the General Fund, or to request an appropriation to replenish this reserve fund.

Department of Health Care Access and Information Guarantees

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

State law established the Health Facility Construction Loan Insurance Fund (the "Fund") as a trust fund which is continuously appropriated and may only be used for purposes of this program. The Fund is used as a depository of fees and insurance premiums and any recoveries and is the initial source of funds used to pay administrative costs of the program and shortfalls resulting from defaults by insured borrowers.

If the Fund is unable to make payment on an insured loan or bond, state law provides for the State Treasurer's Office to issue debentures to the holders of the defaulted loan or bond which are payable on parity with state general obligation bonds. The Fund is liable for repayment to the General Fund of any money paid from the General Fund. All claims on insured loans to date have been paid from the Fund and no debentures have been issued. HCAI, the Department of Finance, and the State Treasurer's Office have entered into a memorandum of understanding that outlines the process for (i) issuance of debentures; (ii) payment of debentures from the General Fund should the Fund fail to pay the debentures; and (iii) repayment to the General Fund for any money paid for debentures.

As of May 31, 2026, HCAI insured 56 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately $1.4 billion, and a cash balance of approximately $138.3 million. The actuarial study of the Fund (a biennial study) as of June 30, 2024, was completed in June 2025 (the "2024 actuarial study"). Based upon a number of assumptions, the 2024 actuarial study concluded, among other things, that the Fund appeared to be sufficient, under the "expected scenario" to maintain a positive balance until at least fiscal year 2053-54. Even under the "most pessimistic scenario," the 2024 actuarial study found that there was a 70 percent likelihood that the Fund's reserves as of June 30, 2024 would protect against any General Fund losses until at least fiscal year 2034-35, and a 90 percent likelihood that the Fund's reserves as of June 30, 2024 would protect against any General Fund losses until at least fiscal year 2029-30.

INVESTMENT OF STATE FUNDS

Moneys on deposit in the centralized State Treasury System are invested by the State Treasurer in the PMIA. As of June 30, 2026, the PMIA held approximately $163.7 billion of state moneys and $29.4 billion invested for about 2,329 local governmental entities through the Local Agency Investment Fund ("LAIF"). The assets of the PMIA as of June 30, 2026, are shown in the following chart. Amounts owing on the SB 84 Loan to fund the supplemental pension payment to CalPERS as described in "DEBTS AND LIABILITIES UNDER PROPOSITION 2," and the $1.85 billion investment, excluding earned accrued interest, in Demand Deposit State and Local Government Series securities for compliance with certain tax limitations related to tax-exempt bonds previously issued by the state or a state instrumentality are not reflected as assets of the PMIA in the chart below.

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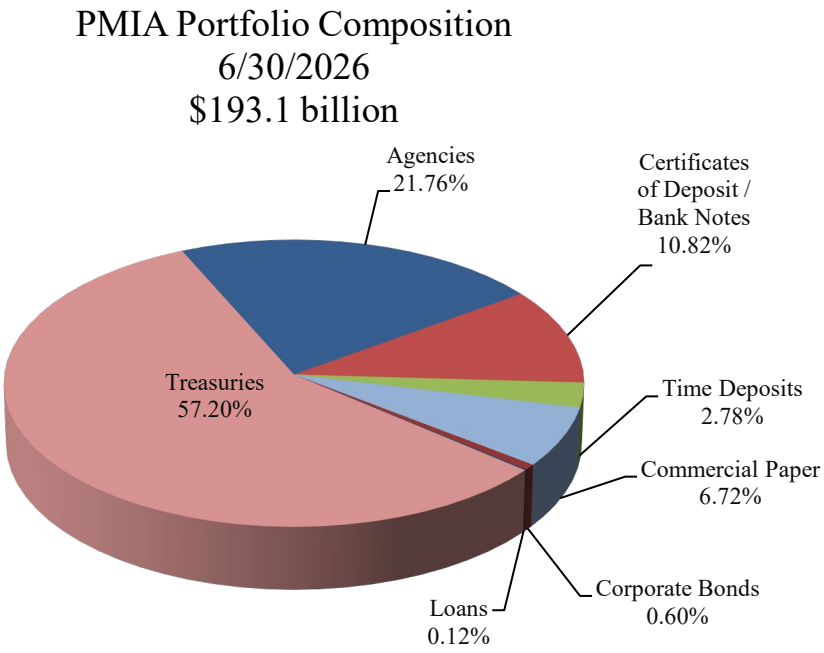

Percentages may not total 100%, due to rounding.

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

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

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

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

The average life of the investment portfolio of the PMIA as of June 30, 2026, was 269 days. Over the prior 12 months, the average life has ranged from 271 days to 244 days.

OVERVIEW OF STATE GOVERNMENT

Organization of State Government

The state Constitution provides for three separate branches of government: the legislative, the judicial, and the executive. The state Constitution guarantees the electorate the right to make basic decisions, including amending the state Constitution and local government charters. In addition, state voters

may directly influence state government through the initiative, referendum, and recall processes. The state Constitution provides for mechanisms through which it may be amended or revised.

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

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

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

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

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

The executive branch is principally organized through eleven agency areas.

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

Employee Relations

At the 2026 Budget Act, the state work force for fiscal year 2026-27 was estimated at 482,000 positions. Approximately 231,000 of those positions represent state employees of the legislative and judicial branches of government, and institutions of higher education. Of the remaining 251,000 positions, over 80 percent are subject to collective bargaining on wages, hours, and other terms and conditions of employment with the Administration, which are contained in a Memorandum of Understanding ("MOU") subject to ratification by the Legislature; less than 20 percent are excluded from collective bargaining.

State law provides that state employees, defined as any civil service employee of the state and teachers under the jurisdiction of the Department of Education or the Superintendent of Public Instruction, and excluding certain other categories, have a right to form, join, and participate in the activities of

employee organizations for the purpose of representation on all matters of employer-employee relations. Once a bargaining unit ("BU") selects an employee organization, only that organization can represent those employees.

There are 21 collective BUs that are represented by employee organizations. The Service Employees International Union ("SEIU") is the exclusive representative for 9 of 21 BUs, or approximately 50 percent of those represented employees subject to collective bargaining. Since the 2016 Budget Act, contract agreements with all bargaining units that represent state employees address the state's unfunded retiree health care obligation ($77.8 billion as of the latest actuarial valuation report on June 30, 2025) through shared prefunding of program costs along with other cost containment strategies. See "STATE FINANCES — OTHER ELEMENTS — Retiree Health Care Costs."

Collective bargaining negotiations are ongoing with nine bargaining units represented by SEIU, whose contract or side letter agreements expired as of June 30, 2026. The provisions of the expired contract continue to be in effect until a new agreement is ratified by all parties.

ECONOMY AND POPULATION

California's economy, the largest among the 50 states and the fifth largest in the world by GDP, has major components in technology, trade, entertainment, manufacturing, agriculture, government, tourism, construction, and services. The makeup of the state economy generally mirrors that of the national economy. See "CURRENT STATE BUDGET — Development of Revenue Estimates" for a description of the latest economic forecast for the national and California economies.

California's total population was estimated at 39.5 million as of July 2025, an increase of 0.05 percent from the previous year. Since 2010, the state has grown by approximately 2.2 million persons. Births for fiscal year 2024-25 totaled approximately 399,000, a decline of approximately 0.5 percent from fiscal year 2023-24; births remain below average levels from the last decade. Net migration (in-migration minus out-migration), which averaged 53,000 persons per year during fiscal years 2010-11 through 2014-15, turned negative mid-decade as the number of Californians leaving the state continued to surpass the number of individuals moving into the state. In fiscal year 2024-25, net migration was approximately negative 89,000. Foreign immigration continued to exceed pandemic lows, while net domestic out-migration increased in fiscal year 2024-25 and continued to exceed net international migration.

The 2025 total fertility rate in California, at 1.48 children per woman, is lower than the U.S. total fertility rate (1.57); both have generally shown steady declines in recent years. Low fertility may lead to declining school enrollment and reductions in the size of the future labor force, although those effects may be mitigated by migration patterns, labor force participation rates, and other factors affecting school enrollment and attendance rates.

California's life expectancy at birth was approximately 81.8 years in 2025, among the highest of any U.S. state and well above the national life expectancy at birth of 79 years. Greater longevity and lower fertility may eventually lead to an older population in California than the U.S. and an increased dependency ratio of retirement age to working age adults, although these dynamics and their consequences will be determined by migration patterns, labor force attachment, and transfer payments, among other factors. Deceleration of improvements in life expectancy at birth since 2010, mostly a result of stalled mortality improvements at young adult ages, have translated to a projection of more modest increases in life expectancy over the next decades than previously assumed.

California has a similar age structure as the remainder of the United States, with approximately 21 percent of Californians under 18 years and 18 percent age 65 and older, based on the latest population

projection series. Population growth rates will vary by age group. The state's overall projected five-year growth has slowed (totaling a projected 39.9 million in 2030), and the 25-64 year old working-age population is anticipated to decrease from approximately 20 million in 2026 to 19.8 million in 2030 (-1 percent.) Among younger ages, the 5-17 year old school-age group is expected to decline from 6.3 million in 2026 to 5.9 million in 2030 (-6.7 percent) and the 18-24 year-old college-age group is expected to increase from 4.2 million in 2026 to 4.4 million in 2030 (4 percent.) Related to lower births in recent years, the 0-4 preschool-age group is expected to decrease from 2.0 million in 2026 to about 1.9 million in 2030 (-3.6 percent.) The population of the 65-and-older retirement-age group is expected to expand rapidly, from almost 7 million in 2026 to approximately 7.8 million in 2030 (12.1 percent.)

In long-term projections, California's population growth has slowed and is projected to grow marginally from approximately 39.6 million in 2026 to 39.9 million by 2070. With the population aging, deaths are expected to increase more than births, and this will lessen the state's growth over time. Projected foreign net immigration was reduced to values consistent with the fiscal year 2018-2019 time period, likely in light of recent federal policy. The projections assume that there are no major natural catastrophes or wars that affect the state or the nation, and that economic stability continues throughout the forecast period, which runs through the end of calendar year 2070. The long-term impact of the COVID-19 pandemic on California's population is still uncertain. COVID-19 and the related impacts on the economy and labor force created conditions that could have significant impacts on population growth. There were approximately 12,700 fewer deaths in fiscal year 2023-24 compared to fiscal year 2022-23. Births increased by about 11,500 from fiscal year 2020-21 to fiscal year 2021-22 and decreased by approximately 13,900 in fiscal year 2022-23. They declined in fiscal year 2023-24 by approximately 9,300.

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

TABLE 20
Population

Year	California	Annual Percent Change	United States	Annual Percent Change	California as % of United States
2016	39,127,855	0.6	323,071,755	0.7	12.1
2017	39,328,926	0.5	325,122,128	0.6	12.1
2018	39,476,064	0.4	326,838,199	0.5	12.1
2019	39,529,566	0.1	328,329,953	0.5	12.0
2020	39,541,742	0.0	331,578,104	1.0	11.9
2021	39,260,048	-0.7	332,100,166	0.2	11.8
2022	39,220,037	-0.1	333,996,304	0.6	11.7
2023	39,279,899	0.2	336,755,052	0.8	11.6
2024	39,509,657	0.6	340,003,797	1.0	11.6
2025	39,528,899	0.1	341,784,857	0.5	11.5

Source: California figures from State of California, Department of Finance; U.S. figures from U.S. Department of Commerce, Bureau of the Census (pre-2020 figures reflect Vintage 2020 postcensal estimates and year 2020 and later figures reflect Vintage 2025 estimates). The reference date for all estimates is July 1, unless otherwise specified.

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Labor Force, Employment, Income, Construction and Export Growth

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

TABLE 21
Labor Force
(Thousands)

			Unemployment Rate	
Year	**Labor Force**	**Civilian Employment**	**California**	**United States**
2016	19,045	17,996	5.5%	4.9%
2017	19,205	18,278	4.8	4.4
2018	19,307	18,485	4.3	3.9
2019	19,420	18,622	4.1	3.7
2020	18,957	17,040	10.2	8.1
2021	19,014	17,619	7.3	5.3
2022	19,267	18,441	4.3	3.6
2023	19,515	18,594	4.7	3.6
2024	19,693	18,651	5.3	4.0
2025	19,824	18,738	5.5	4.3

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

Data for 2025 does not include the month of October as data was not collected for that month due to the federal government shutdown.

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The following table shows California's nonfarm payroll employment and distribution of employment for 2016 and 2025 by major sector.

TABLE 22
Nonfarm Payroll Employment by Major Sector
2016 and 2025
(Thousands)

	Employment		Distribution of Employment	
Industry Sector	**2016**	**2025**	**2016**	**2025**
Mining and Logging	22.5	18.3	0.1%	0.1%
Construction	776.0	893.6	4.7	5.0
Manufacturing				
Nondurable Goods	487.5	443.3	3.0	2.5
Durable Goods				
Technology	324.0	319.6	2.0	1.8
Other Durable Goods	473.0	456.9	2.9	2.5
Trade, Transportation & Utilities	2,957.0	3,049.7	17.9	16.9
Information	531.1	527.5	3.2	2.9
Financial Activities	822.5	793.2	5.0	4.4
Professional & Business Services	2,562.2	2,752.2	15.5	15.3
Private Educational & Health Services	2,552.4	3,476.0	15.5	19.3
Leisure & Hospitality	1,902.1	2,018.3	11.5	11.2
Other Services	553.9	593.5	3.4	3.3
Government				
Federal Government	247.6	245.2	1.5	1.4
State & Local Government	2,268.2	2,446.8	13.8	13.6
TOTAL	**16,479.8**	**18,034.1**	**100.0%**	**100.0%**

Source: State of California, Employment Development Department.

Note: Totals may not add due to rounding.

Data for 2025 does not include the month of October as data was not collected for that month due to the federal government shutdown.

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

TABLE 23
Total Personal Income in California
(Dollars in Millions)

Year	Total Personal Income	Annual % Change	California % of U.S.
2016	$2,191,138	4.5%	13.8%
2017	2,295,049	4.7	13.8
2018	2,411,055	5.1	13.8
2019	2,539,747	5.3	13.8
2020	2,770,489	9.1	14.1
2021	3,019,216	9.0	14.1
2022	3,021,646	0.1	13.6
2023	3,182,779	5.3	13.5
2024	3,400,237	6.8	13.7
2025	3,585,891	5.5	13.7

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

TABLE 24
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2016	$55,862	3.8%	$48,974	1.9%	114.1%
2017	58,214	4.2	51,006	4.1	114.1
2018	60,984	4.8	53,311	4.5	114.4
2019	64,219	5.3	55,567	4.2	115.6
2020	70,090	9.1	59,151	6.4	118.5
2021	77,113	10.0	64,692	9.4	119.2
2022	77,230	0.2	66,303	2.5	116.5
2023	81,231	5.2	70,013	5.6	116.0
2024	86,378	6.3	73,227	4.6	118.0
2025	91,116	5.5	76,393	4.3	119.3

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

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BANK ARRANGEMENTS TABLE

The following table includes certain information relating to letters of credit, liquidity facilities and other bank arrangements entered into in connection with variable rate obligations and commercial paper notes.

See also "STATE INDEBTEDNESS AND OTHER OBLIGATIONS — Capital Facilities Financing — *Bank Arrangements*."

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BANK ARRANGEMENTS TABLE

(See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS — Capital Facilities Financing — Bank Arrangements.")
As of July 1, 2026

Program	Series	Outstanding Par Amount	Credit Provider*	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A1	$26,500,000	Barclays Bank PLC	7/14/2028	LOC	Daily
GO VRDOs	2003C1	53,600,000	TD Bank, N.A.	5/10/2028	LOC	Weekly
GO VRDOs	2005A2-1	143,200,000	TD Bank, N.A.	5/1/2031	LOC	Weekly
GO VRDOs	2005B1	147,100,000	Wells Fargo Bank, National Association	2/25/2028	LOC	Weekly
GO VRDOs	2005B3	49,100,000	TD Bank, N.A.	5/1/2031	LOC	Weekly
GO VRDOs	2024A1&2	150,000,000	Barclays Bank PLC	10/8/2027	LOC	Weekly
GO VRDOs	2024B1&2	150,000,000	PNC Bank, National Association	10/9/2029	LOC	Weekly
GO VRDOs	2024C1,2&3	300,000,000	Bank of America, N.A.	10/8/2027	LOC	Weekly
GO VRDOs	2024D	150,000,000	JPMorgan Chase Bank, National Association	10/8/2027	LOC	Weekly
Total GO VRDOs		**$1,169,500,000**				
GO CP[(a)]	A1/B1	$500,000,000	Wells Fargo Bank, National Association	2/25/2028	LOC	Up to 90 days
GO CP[(a)]	A2/B2	500,000,000	Royal Bank of Canada	8/25/2028	LOC	Up to 90 days
GO CP[(a)]	A3/B3	150,000,000	Truist Bank	1/12/2029	LOC	Up to 90 days
GO CP[(a)]	A4/B4	200,000,000	TD Bank, N.A.	5/15/2028	LOC	Up to 90 days
GO CP[(a)]	A5/B5	225,000,000	U.S. Bank National Association	12/16/2027	LOC	Up to 90 days
GO CP[(a)]	A6/B6	350,000,000	Bank of America, N.A.	5/7/2029	LOC	Up to 90 days
GO CP[(a)]	A7/B7	300,000,000	State Street Bank and Trust Company	12/7/2027	LOC	Up to 90 days
GO CP[(a)]	A8/B8	225,000,000	Bank of Montreal, Chicago Branch	1/12/2029	LOC	Up to 90 days
Total GO CP		**$2,450,000,000**				
Grand Total		**$3,619,500,000**				

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

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

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STATE DEBT TABLES

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

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

The following tables, as applicable, do not reflect (i) the following bond issues; (ii) principal or interest paid since the respective dates of such tables or (iii) commercial paper that has been issued or paid since July 1, 2026.

$3,140,075,000 of State of California Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds were sold on August 27, 2026, and issued on September 3, 2026. This sale included $2,540,075,000 of refunding bonds the proceeds of which (together with premium paid by the purchasers of the refunding bonds) refunded $2,733,275,000 of outstanding General Obligation Bonds.

$359,955,000 of State Public Works Board of the State of California Lease Revenue Refunding Bonds 2026 Series C (Various Capital Projects) (the "2026C Bonds") were sold on September 23, 2026, and are expected to be issued on October 8, 2026. The proceeds of the sale of the 2026C Bonds (together with premium paid by the purchasers of the refunding bonds and certain amounts on deposit in the funds and accounts relating to the refunded bonds) are expected to refund $414,600,000 of outstanding lease revenue bonds.

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OUTSTANDING STATE DEBT
FISCAL YEARS 2021-22 THROUGH 2025-26
(Dollars in Thousands except for Per Capita Information)

Fiscal Years:	2021-22 (a)	2022-23 (b)	2023-24	2024-25	2025-26
Outstanding Debt (c)					
General Obligation Bonds					
General Fund (Non-Self Liquidating)	$ 69,215,805	$ 70,666,075	$ 71,742,195	$ 71,872,170	$ 72,102,625
Enterprise Fund (Self Liquidating)	$ 525,695	$ 662,785	$ 634,480	$ 899,060	$ 964,050
Total General Obligation Bonds	**$ 69,741,500**	**$ 71,328,860**	**$ 72,376,675**	**$ 72,771,230**	**$ 73,066,675**
Revenue Bonds					
Lease-Revenue Debt	$ 8,388,130	$ 7,829,965	$ 8,565,900	$ 8,901,520	$ 9,684,130
Total Revenue Bonds	**$ 8,388,130**	**$ 7,829,965**	**$ 8,565,900**	**$ 8,901,520**	**$ 9,684,130**
Total Outstanding General Obligation and Revenue Bonds	**$ 78,129,630**	**$ 79,158,825**	**$ 80,942,575**	**$ 81,672,750**	**$ 82,750,805**
Bond Sales During Fiscal Year					
Non-Self Liquidating General Obligation Bonds	$ 6,639,495	$ 8,590,580	$ 8,300,640	$ 7,679,445	$ 7,235,895
Self Liquidating General Obligation Bonds	$ 0	$ 167,130	$ 0	$ 300,000	$ 97,715
Lease-Revenue Debt	$ 2,055,580	$ 776,955	$ 1,924,970	$ 1,770,790	$ 1,357,830
Debt Service (d)					
Non-Self Liquidating General Obligation Bonds	$ 6,901,633	$ 6,778,871	$ 6,907,030	$ 7,019,554	$ 7,128,772
Lease-Revenue Debt	$ 860,438	$ 836,812	$ 848,021	$ 944,948	$ 1,010,058
General Fund Receipts (e)	$ 245,820,459	$ 174,196,665	$ 215,048,016	$ 233,175,862	$ 258,870,917
Non-Self Liquidating General Obligation Bonds Debt Service as a Percentage of General Fund Receipts	**2.81%**	**3.89%**	**3.21%**	**3.01%**	**2.75%**
Lease-Revenue Debt Service as a Percentage of General Fund Receipts	**0.35%**	**0.48%**	**0.39%**	**0.41%**	**0.39%**
Population (f)	39,260,048	39,220,037	39,279,899	39,509,657	39,528,899
Non-Self Liquidating General Obligation Bonds Outstanding per Capita	**$ 1,763.01**	**$ 1,801.79**	**$ 1,826.44**	**$ 1,819.10**	**$ 1,824.05**
Lease-Revenue Debt Outstanding per Capita	**$ 213.66**	**$ 199.64**	**$ 218.07**	**$ 225.30**	**$ 244.99**
Personal Income (g)	$ 3,019,216,000	$ 3,021,646,000	$ 3,182,779,000	$ 3,400,237,000	$ 3,585,891,000
Non-Self Liquidating General Obligation Bonds Outstanding as Percentage of Personal Income	**2.29%**	**2.34%**	**2.25%**	**2.11%**	**2.01%**
Lease-Revenue Debt Outstanding as Percentage of Personal Income	**0.28%**	**0.26%**	**0.27%**	**0.26%**	**0.27%**

(a) Includes $1.1 billion of general obligation bonds (general fund (non-self liquidating)) and $1.2 billion in lease-revenue bonds sold in fiscal year 2020-21 on a forward delivery basis and issued in fiscal year 2021-22. Does not include $299.1 million in lease-revenue bonds sold in this fiscal year on a forward delivery basis and issued in fiscal year 2022-23 (the "2022 Forward Delivery Bonds").

(b) Includes the 2022 Forward Delivery Bonds.

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

(d) Calculated on a cash basis. The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service. Debt service costs of bonds issued in any fiscal year largely appear in subsequent fiscal years.

(e) Calculated on a cash basis as of June 30 for each fiscal year, includes both revenues and nonrevenues, such as borrowings, the proceeds of which are deposited in the General Fund.

(f) See Table 20 of Appendix A.

(g) See Table 23 of Appendix A.

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

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of July 1, 2026
(Thousands)

Non-CP Eligible (*)	Bond Act	Proposition Number	Voter Authorization Date	Authorization Amount ($)	Long-Term Bonds Outstanding ($)	Commerical Paper Outstanding [a] ($)	Unissued ($)
GENERAL FUND BONDS (Non-Self Liquidating)							
	1988 School Facilities Bond Act [b]	79	11/08/88	797,745	6,795	0	0
	1990 School Facilities Bond Act [b]	123	06/05/90	797,875	5,290	0	0
	1992 School Facilities Bond Act [b]	155	11/03/92	898,211	9,850	0	0
	Behavioral Health Infrastructure Bond Act of 2024	1	03/05/24	6,380,000	1,219,555	1,270	5,158,495
	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 [f]	40	03/05/02	2,596,643	1,277,535	26,050	60,368
	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	1,900,575	105,710	1,850,980
	California Library Construction and Renovation Bond Act of 1988 [b]	85	11/08/88	72,405	935	0	0
*	California Park and Recreational Facilities Act of 1984 [b]	18	06/05/84	368,900	440	0	0
	California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	14	03/07/00	350,000	173,315	0	5,040
*	California Safe Drinking Water Bond Law of 1976 [b]	3	06/08/76	172,500	160	0	0
*	California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	100	0	0
*	California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	995	0	0
	California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	7,060	0	0
	California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	718,800	21,685	18,400
	California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	1,444,840	27,300	4,027,860
*	California Wildlife, Coastal, and Park Land Conservation Act [b]	70	06/07/88	768,670	7,695	0	0
	Children's Hospital Bond Act of 2004	61	11/02/04	750,000	506,575	625	100
	Children's Hospital Bond Act of 2008	3	11/04/08	980,000	716,040	2,445	22,090
	Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	438,145	95,515	906,640
	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	756,285	0	0
	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	1,405,875	5	35
*	Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	136,030	0	0
*	Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	330	0	0
	Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	1,705	0	0
	County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	2,995	0	0
	Disaster Preparedness and Flood Prevention Bond Act of 2006 [e] [h]	1E	11/07/06	3,960,560	2,638,125	32,255	161,977
	Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 [g]	122	06/05/90	292,510	1,310	0	0
*	Fish and Wildlife Habitat Enhancement Act of 1984	19	06/05/84	85,000	1,525	0	0
	Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	3,350	0	0
	Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	4,700	0	540
	Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	20,185	0	0
	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	11,805,840	93,230	441,825
	Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	119,785	9,705	37,295
	Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	720,880	11,795	141,495
	Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	1,250,090	2,615	502,270
	Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	5,119,495	2,220	140,020
	Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (CCC)	2	11/05/24	1,500,000	160	91,235	1,408,595
	Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (K-12)	2	11/05/24	8,500,000	1,350,000	0	7,150,000
	Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	860,735	0	0
	Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	4,892,490	0	5,455
	Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,324,915	14,450	42,039
	Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	5,359,555	0	16,160
	Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,315,760	0	38,775
	Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	4,838,210	0	77,655
*	New Prison Construction Bond Act of 1986	54	11/04/86	500,000	620	0	0
	New Prison Construction Bond Act of 1988	80	11/08/88	817,000	1,435	0	1,245
	New Prison Construction Bond Act of 1990	120	06/05/90	450,000	365	0	605
	Public Education Facilities Bond Act of 1996 (Higher Education)	203	03/26/96	975,000	135,565	0	4,650

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of July 1, 2026
(Thousands)

Non-CP Eligible (*)	Bond Act	Proposition Number	Voter Authorization Date	Authorization Amount ($)	Long-Term Bonds Outstanding ($)	Commerical Paper Outstanding [a] ($)	Unissued ($)
GENERAL FUND BONDS (Non-Self Liquidating) (Continued)							
	Public Education Facilities Bond Act of 1996 (K-12) [c]	203	03/26/96	2,012,035	164,430	0	0
	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act [e]	13	03/07/00	1,884,000	701,110	0	43,346
	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 [e][f]	84	11/07/06	5,266,357	3,096,525	66,870	429,037
	Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024	4	11/05/24	10,000,000	279,910	50,055	9,669,610
	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	761,690	2,985	8,625
	Safe, Clean, Reliable Water Supply Act [e]	204	11/05/96	969,500	228,330	0	62,915
	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	5,548,080	464,590	743,160
	School Facilities Bond Act of 1990	146	11/06/90	800,000	8,690	0	0
	School Facilities Bond Act of 1992	152	06/02/92	1,900,000	11,780	0	10,280
	Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	414,435	0	0
*	State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	275	0	0
	Veterans Homes Bond Act of 2000	16	03/07/00	50,000	28,810	0	975
	Veterans Housing and Homeless Prevention Bond Act of 2014	41	06/03/14	600,000	354,220	65,030	137,330
	Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	1,923,190	0	1,010,670
	Voting Modernization Bond Act of 2002	41	03/05/02	200,000	14,295	0	10,430
	Water Conservation Bond Law of 1988 [g]	82	11/08/88	54,765	3,170	0	0
*	Water Conservation and Water Quality Bond Law of 1986 [e]	44	06/03/86	136,500	3,585	0	230
	Water Quality, Supply, and Infrastructure Improvement Act of 2014 [f]	1	11/04/14	7,465,000	3,218,640	141,050	3,317,575
	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 [e]	50	11/05/02	3,345,000	1,838,445	17,165	129,464
	Total General Fund Bonds			**182,097,176**	**72,102,625**	**1,345,855**	**37,794,256**
ENTERPRISE FUND BONDS (Self Liquidating)							
*	California Water Resources Development Bond Act	1	11/08/60	1,750,000	0	0	167,600
	Veterans Bond Act of 1986	42	06/03/86	850,000	3,465	0	0
	Veterans Bond Act of 1988	76	06/07/88	510,000	6,240	0	0
	Veterans Bond Act of 1990	142	11/06/90	400,000	14,335	0	0
	Veterans Bond Act of 1996	206	11/05/96	400,000	25,440	0	0
	Veterans Bond Act of 2000	32	11/07/00	500,000	114,555	0	0
	Veterans Bond Act of 2008 [d]	12	11/04/08	300,000	133,890	0	0
	Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	666,125	0	238,520
	Total Enterprise Fund Bonds			**5,710,000**	**964,050**	**0**	**406,120**
	TOTAL GENERAL OBLIGATION BONDS			**187,807,176**	**73,066,675**	**1,345,855**	**38,200,376**

FOOTNOTES

(a) A total of not more than $2.45 billion of commercial paper principal plus accrued interest may be owing at one time. Bond acts marked with an asterisk (*) are not legally permitted to utilize commercial paper.
(b) SB 1018 (06/27/2012) reduced the voter authorized amount
(c) SB 1018 (06/27/2012) and SB 71 (06/27/2013) reduced the voter authorized amount
(d) AB 639 (10/10/2013) reduced the voter authorized amount
(e) AB 1471 (11/04/2014) reduced the voter authorized amount
(f) SB 5 (06/05/2018) reduced the voter authorized amount
(g) AB 92 (06/29/2020) reduced the voter authorized amount
(h) The original voter authorized amount has been reduced in accordance with section 5096.828 of the Public Resources Code of the State of California.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR ENTERPRISE FUND SELF LIQUIDATING BONDS
Fixed Rate
As of July 1, 2026

Fiscal Year Ending June 30	Interest	Principal	Total [a]
2027 [b]	35,722,576.29	31,890,000.00	67,612,576.29
2028	34,869,149.41	29,430,000.00	64,299,149.41
2029	33,963,173.15	33,940,000.00	67,903,173.15
2030	32,650,111.27	49,520,000.00	82,170,111.27
2031	31,021,881.27	49,480,000.00	80,501,881.27
2032	29,596,066.27	35,425,000.00	65,021,066.27
2033	28,271,568.77	41,925,000.00	70,196,568.77
2034	26,891,441.27	39,105,000.00	65,996,441.27
2035	25,809,021.27	25,730,000.00	51,539,021.27
2036	24,953,180.02	26,965,000.00	51,918,180.02
2037	24,036,983.77	28,265,000.00	52,301,983.77
2038	23,061,064.39	29,640,000.00	52,701,064.39
2039	22,104,437.51	25,490,000.00	47,594,437.51
2040	21,168,887.51	26,770,000.00	47,938,887.51
2041	20,093,142.51	33,075,000.00	53,168,142.51
2042	18,865,247.51	34,795,000.00	53,660,247.51
2043	17,551,797.51	36,710,000.00	54,261,797.51
2044	16,177,122.51	36,235,000.00	52,412,122.51
2045	14,780,513.13	35,060,000.00	49,840,513.13
2046	13,334,168.75	36,545,000.00	49,879,168.75
2047	11,835,821.25	36,435,000.00	48,270,821.25
2048	10,439,680.00	30,875,000.00	41,314,680.00
2049	9,183,417.50	27,420,000.00	36,603,417.50
2050	7,944,212.50	27,835,000.00	35,779,212.50
2051	6,665,767.50	28,765,000.00	35,430,767.50
2052	5,340,785.00	28,795,000.00	34,135,785.00
2053	3,948,053.75	30,765,000.00	34,713,053.75
2054	2,663,326.25	24,390,000.00	27,053,326.25
2055	1,450,817.50	27,340,000.00	28,790,817.50
2056	401,557.50	15,435,000.00	15,836,557.50
Total	**$ 554,794,972.84**	**$ 964,050,000.00**	**$ 1,518,844,972.84**

(a) Includes scheduled mandatory sinking fund payments.

(b) Represents the remaining debt service requirements from August 1, 2026 through June 30, 2027.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Fixed Rate
As of July 1, 2026

Fiscal Year Ending June 30	Interest [a]	Principal	Total [b]
2027 [c]	3,535,864,875.30	3,922,810,000.00	7,458,674,875.30
2028	3,369,163,965.45	4,015,505,000.00	7,384,668,965.45
2029	3,184,266,356.70	4,163,125,000.00	7,347,391,356.70
2030	2,975,540,799.16	4,474,395,000.00	7,449,935,799.16
2031	2,777,541,860.94	4,337,395,000.00	7,114,936,860.94
2032	2,579,626,705.26	3,939,900,000.00	6,519,526,705.26
2033	2,394,442,855.26	4,028,005,000.00	6,422,447,855.26
2034	2,222,060,777.13	3,983,925,000.00	6,205,985,777.13
2035	1,954,331,547.73	3,624,960,000.00	5,579,291,547.73
2036	1,764,933,040.21	4,032,070,000.00	5,797,003,040.21
2037	1,570,926,770.21	3,414,985,000.00	4,985,911,770.21
2038	1,393,787,571.44	3,555,575,000.00	4,949,362,571.44
2039	1,255,110,330.16	3,558,850,000.00	4,813,960,330.16
2040	957,753,063.91	2,417,755,000.00	3,375,508,063.91
2041	784,572,012.58	2,253,420,000.00	3,037,992,012.58
2042	667,531,021.95	1,874,670,000.00	2,542,201,021.95
2043	577,311,156.32	1,904,065,000.00	2,481,376,156.32
2044	487,691,056.32	1,437,640,000.00	1,925,331,056.32
2045	429,649,031.32	1,292,120,000.00	1,721,769,031.32
2046	363,749,825.07	1,368,480,000.00	1,732,229,825.07
2047	308,818,368.82	1,015,660,000.00	1,324,478,368.82
2048	262,061,496.94	951,310,000.00	1,213,371,496.94
2049	228,632,000.06	1,108,090,000.00	1,336,722,000.06
2050	179,813,500.06	825,000,000.00	1,004,813,500.06
2051	141,030,400.06	805,195,000.00	946,225,400.06
2052	114,728,650.03	650,000,000.00	764,728,650.03
2053	90,411,775.00	364,550,000.00	454,961,775.00
2054	66,459,381.25	598,615,000.00	665,074,381.25
2055	47,308,237.50	500,000,000.00	547,308,237.50
2056	20,560,368.75	215,055,000.00	235,615,368.75
2057	7,500,000.00	300,000,000.00	307,500,000.00
Total	**$ 36,713,178,800.89**	**$ 70,933,125,000.00**	**$ 107,646,303,800.89**

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

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

(c) Represents the remaining debt service requirements from August 1, 2026 through June 30, 2027.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Variable Rate
As of July 1, 2026

Fiscal Year Ending June 30	Interest [a]	Principal	Total [b]
2027 [c]	17,154,392.58	8,000,000.00	25,154,392.58
2028	18,580,048.55	8,300,000.00	26,880,048.55
2029	18,369,210.44	11,800,000.00	30,169,210.44
2030	18,287,721.37	12,300,000.00	30,587,721.37
2031	17,825,035.62	108,200,000.00	126,025,035.62
2032	16,480,407.99	159,000,000.00	175,480,407.99
2033	14,530,692.09	111,600,000.00	126,130,692.09
2034	13,166,099.96	-	13,166,099.96
2035	13,166,099.98	-	13,166,099.98
2036	13,223,163.90	-	13,223,163.90
2037	13,109,036.06	-	13,109,036.06
2038	13,166,099.98	-	13,166,099.98
2039	13,166,099.99	-	13,166,099.99
2040	13,186,886.05	300,000.00	13,486,886.05
2041	13,213,538.04	-	13,213,538.04
2042	13,126,438.33	-	13,126,438.33
2043	13,126,438.34	-	13,126,438.34
2044	13,183,585.22	-	13,183,585.22
2045	12,998,092.82	75,000,000.00	87,998,092.82
2046	11,331,678.09	75,000,000.00	86,331,678.09
2047	9,688,561.65	75,000,000.00	84,688,561.65
2048	7,932,014.06	75,000,000.00	82,932,014.06
2049	6,343,340.40	75,000,000.00	81,343,340.40
2050	4,778,732.84	75,000,000.00	79,778,732.84
2051	3,264,246.56	75,000,000.00	78,264,246.56
2052	2,418,104.08	75,000,000.00	77,418,104.08
2053	1,563,956.85	75,000,000.00	76,563,956.85
2054	684,246.58	75,000,000.00	75,684,246.58
Total	**$ 327,063,968.42**	**$ 1,169,500,000.00**	**$ 1,496,563,968.42**

(a) The estimate of future interest payments is based on rates in effect as of July 1, 2026. The interest rates for the daily and weekly rate bonds range from 1.00 - 2.25%.

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

(c) Represents the remaining debt service requirements from August 1, 2026 through June 30, 2027.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR LEASE-REVENUE DEBT
Fixed Rate
As of July 1, 2026

Fiscal Year Ending June 30	Interest [a]	Principal	Total [b]
2027 [c]	463,608,507.92	639,805,000.00	1,103,413,507.92
2028	435,664,940.37	654,480,000.00	1,090,144,940.37
2029	403,000,926.78	629,975,000.00	1,032,975,926.78
2030	372,308,357.87	631,420,000.00	1,003,728,357.87
2031	341,331,524.37	631,555,000.00	972,886,524.37
2032	309,332,961.22	650,875,000.00	960,207,961.22
2033	275,911,506.41	604,980,000.00	880,891,506.41
2034	245,029,630.12	597,340,000.00	842,369,630.12
2035	213,973,120.54	569,435,000.00	783,408,120.54
2036	187,412,241.32	445,010,000.00	632,422,241.32
2037	166,210,547.72	442,440,000.00	608,650,547.72
2038	146,243,587.92	389,690,000.00	535,933,587.92
2039	128,465,007.67	350,855,000.00	479,320,007.67
2040	112,650,287.52	315,165,000.00	427,815,287.52
2041	99,700,246.89	234,365,000.00	334,065,246.89
2042	89,353,203.14	205,820,000.00	295,173,203.14
2043	79,445,000.02	215,700,000.00	295,145,000.02
2044	69,078,512.52	226,100,000.00	295,178,512.52
2045	58,207,275.02	236,940,000.00	295,147,275.02
2046	46,989,803.14	236,465,000.00	283,454,803.14
2047	35,580,256.26	226,610,000.00	262,190,256.26
2048	25,300,431.26	181,990,000.00	207,290,431.26
2049	16,215,290.63	189,565,000.00	205,780,290.63
2050	7,222,375.00	113,155,000.00	120,377,375.00
2051	1,609,875.00	64,395,000.00	66,004,875.00
Total	**$ 4,329,845,416.63**	**$ 9,684,130,000.00**	**$ 14,013,975,416.63**

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

(b) Includes scheduled mandatory sinking fund payments.

(c) Represents the remaining debt service requirements from August 1, 2026 through June 30, 2027.

SOURCE: State of California, Office of the Treasurer.

STATE PUBLIC WORKS BOARD
OUTSTANDING ISSUES
As of July 1, 2026

GENERAL FUND SUPPORTED LEASE-REVENUE ISSUES[(a)]:		Outstanding
State Public Works Board Issues (by Facility Lessee)		
Air Resources Board	$	267,550,000
Board of State & Community Corrections		301,745,000
California Community Colleges		97,330,000
California Department of Corrections and Rehabilitation		2,863,330,000
California Department of Forestry and Fire Protection		190,255,000
California Department of Veterans Affairs		175,720,000
Department of Developmental Services		51,325,000
Department of Education		82,745,000
Department of General Services		2,800,400,000
Department of Public Health		14,075,000
Department of State Hospitals		119,900,000
Judicial Council		2,424,520,000
Other State Facilities		201,955,000
Trustees of the California State University		93,280,000
Total State Public Works Board Issues	**$**	**9,684,130,000**
TOTAL GENERAL FUND SUPPORTED LEASE-REVENUE ISSUES	**$**	**9,684,130,000**

(a) Lease payments that secure each of these issues are payable from the operating budget of the respective lessees. The operating budgets of the lessees are primarily, but not exclusively, derived from the General Fund.

SOURCE: State of California, Office of the Treasurer.

GENERAL OBLIGATION AND LEASE-REVENUE BONDS
SUMMARY OF DEBT SERVICE REQUIREMENTS
As of July 1, 2026

Bond Program	Interest	Principal	Total [a]
GENERAL OBLIGATION BONDS			
General Fund Non-Self Liquidating Fixed Rate [b]	$ 36,713,178,800.89	$ 70,933,125,000.00	$ 107,646,303,800.89
General Fund Non-Self Liquidating Variable Rate [b][c]	$ 327,063,968.42	$ 1,169,500,000.00	$ 1,496,563,968.42
Enterprise Fund Self Liquidating Fixed Rate	$ 554,794,972.84	$ 964,050,000.00	$ 1,518,844,972.84
LEASE-REVENUE BONDS			
General Fund Lease-Revenue[d]	$ 4,329,845,416.63	$ 9,684,130,000.00	$ 14,013,975,416.63
GENERAL OBLIGATION AND LEASE-REVENUE BONDS TOTAL [e]	**$ 41,924,883,158.78**	**$ 82,750,805,000.00**	**$ 124,675,688,158.78**

(a) Includes scheduled mandatory sinking fund payments.
(b) Does not include outstanding commercial paper.
(c) The estimate of future interest payments is based on rates in effect as of July 1, 2026. The interest rates for the daily and weekly rate bonds range from 1.00 - 2.25%.
(d) Payments are primarily, but not exclusively, derived from the General Fund.
(e) Estimated interest included.

SOURCE: State of California, Office of the Treasurer.

EXHIBIT 1 TO APPENDIX A

PENSION SYSTEMS

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PENSION SYSTEMS

General

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

The University of California ("UC") maintains a separate retirement system. The 2026 Budget Act does not specifically allocate any of UC's appropriation to fund its employer retirement costs; UC manages its retirement contributions within its overall budget.

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

The information in this Exhibit 1 relating to CalPERS and CalSTRS is primarily derived from information produced by CalPERS and CalSTRS, their independent accountants, and their actuaries. The state has not independently verified the information produced by CalPERS and CalSTRS and neither makes any representation nor expresses any opinion as to the accuracy of the information produced by CalPERS and CalSTRS.

The annual comprehensive financial reports of CalPERS and CalSTRS are available on their websites at www.calpers.ca.gov and www.calstrs.com, respectively. The CalPERS and CalSTRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The state cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Thus, actuarial valuations will likely change with the future experience of the pension plans. As used in this Exhibit 1, an active member refers to a participant currently employed by a CalPERS or CalSTRS covered employer, an inactive member refers to a participant with member contributions on account who is neither receiving a benefit nor currently employed by a CalPERS or CalSTRS covered employer, and a retiree, survivor, or beneficiary refers to a participant currently receiving a benefit from CalPERS or CalSTRS.

CalPERS

1. General

CalPERS administers a total of 14 funds, including four funds for the defined benefit retirement plans: the Public Employees' Retirement Fund ("PERF"), the Legislators' Retirement Fund ("LRF"), the Judges' Retirement Fund ("JRF"), and the Judges' Retirement Fund II ("JRF II"). These plans, as well as the other plans administered by CalPERS, are described in the comprehensive financial reports of CalPERS, which can be found on CalPERS' website at www.calpers.ca.gov. Such information is not incorporated by reference herein.

The PERF, LRF, JRF, and JRF II are defined benefit pension plans which generally provide benefits based on members' years of service, age, final compensation, and benefit formula. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Certain summary information concerning PERF is set forth below. Certain summary information concerning LRF, JRF, JRF II, and the 1959 Survivor Benefit program, which provides payments to the survivors of eligible members who die before retirement, is set forth at the end of this section.

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

2. Members and Employers

The PERF is a multiple-employer defined benefit retirement fund. In addition to the state, employer participants include nearly 3,000 public agencies and school districts. CalPERS acts as the common investment and administrative agent for the member agencies. The state and school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in CalPERS. Other public agencies can elect whether to participate in CalPERS or administer their own plans. Members of CalPERS generally become fully vested in their retirement benefits earned to date after five years of credited service. Separate accounts are maintained for each employer participating in CalPERS, and separate actuarial valuations are performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefits selected by the employer and the individual plan's proportionate share of CalPERS assets.

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

The following table reflects the number of state employee members of CalPERS as of June 30, 2024, and June 30, 2025.

TABLE 25
CalPERS State Employee Membership as of June 30

Category	2024	2025
Retirees	241,880	246,886
Survivors and Beneficiaries	41,315	43,140
Active Members	285,074	288,249
Inactive Members	123,075	127,290
Total	691,344	705,565

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2024, and June 30, 2025.

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

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

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

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

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

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

3. Retirement Benefits

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

The Public Employees' Pension Reform Act of 2013 ("PEPRA") (AB 340, Chapter 296, Statutes of 2012) increased the retirement age for new CalPERS members hired on or after January 1, 2013 ("PEPRA members"). Previously, State Miscellaneous and State Industrial members who retired at age 55 were eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increased to 2.5 percent of final compensation for members retiring after age 63); for PEPRA members, these ages increased to 2 percent at 62 and 2.5 percent at age 67 or older. State Safety PEPRA members who retire at age 57 are eligible for a benefit equal to 2 percent under the Basic Safety Plan, 2.5 percent under the Safety Option Plan One, or 2.7 percent under the Safety Option Plan Two; the applicable percentage is multiplied by the PEPRA member's final compensation and number of years of credited

service. According to CalPERS, approximately 62.3 percent of the active member population in the state plan consists of PEPRA members as of June 30, 2025.

The following table shows the amount of pension benefits paid from CalPERS for fiscal years 2019-20 through 2023-24.

TABLE 26
CalPERS (State Only)
Schedule of Pension Benefits Paid
(Dollars in Millions)

Fiscal Year	Benefits Paid
2019-20	$ 10,347
2020-21	11,011
2021-22	11,607
2022-23	12,350
2023-24	13,020

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2020, through June 30, 2024.

4. Member and State Contributions

The pension benefits for state employee members in CalPERS are funded by contributions from members and the state, and by earnings from investments. Member and state contributions are a percentage of applicable member compensation and are determined annually on an actuarial basis. Member contribution rates are defined by law and vary by bargaining unit within the same member category. The required contribution rates of active CalPERS state members are based on a percentage of their salary ranging from 3.75 to 15.00 percent.

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

The 2026 Budget Act includes the following employer contribution rates for fiscal year 2026-27:

	Employer Contribution Rates[(a)]
State Miscellaneous Tier 1	31.70%
California State University, Miscellaneous Tier 1	31.70
State Miscellaneous Tier 2	31.70
State Industrial	21.28
State Safety	22.78
State Peace Officers & Firefighters	50.65
California State University, Peace Officers and Firefighters	50.65
California Highway Patrol	65.13

(a) Includes additional contributions pursuant to Government Code Section 20683.2(d).

The table below shows the state's actual and estimated contributions to PERF for fiscal years 2022-23 through 2026-27.

TABLE 27
State Contributions to PERF, including CSU
(Dollars in Millions)

Fiscal Year	State Employees All Funds	State Employees General Fund	CSU Employees All Funds	CSU General Fund	Total Contributions All Funds	Total General Fund
2022-23[(a)]	$7,475	$3,821	$744	$744	$8,219	$4,565
2023-24[(a)]	7,728	3,928	744	744	8,472	4,672
2024-25[(a)(b)]	6,325	2,895	609	609	6,933	3,503
2025-26[(a)(c)]	8,700	4,354	731	731	9,432	5,084
2026-27[(a)(c)]	8,908	4,473	737	737	9,645	5,210

(a) Does not include the supplemental pension payments as described in "Additional Pension Debt Repayments" below.
(b) Reflects the impact on fiscal year 2024-25 contributions of the application of the $1.7 billion supplemental pension payments included in the 2023 Budget Act as authorized by Chapter 9, Statutes of 2024, Sec. 77. See "Additional Pension Debt Repayments" below.
(c) Projected contributions.

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

Additional Pension Debt Repayments

In the past several years, the state has made various pension debt repayments totaling roughly $19.6 billion to reduce the state's unfunded liabilities, using Proposition 2 funds that are required to be used to repay state debt, additional supplemental payments from the General Fund and the Motor Vehicle Account, and an internal loan. These payments are in addition to the statutorily required state pension contributions in each fiscal year captured in the above table. Table 28 summarizes these payments.

Based on current revenue projections, an additional $9.5 billion in Proposition 2 debt repayment funding will be paid to CalPERS over the remaining forecast period (fiscal years 2026-27 to 2029-30), subject to the availability of Proposition 2 debt repayment funding. This repayment amount includes a projected $3 billion in fiscal year 2026-27 included in the 2026 Budget Act.

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TABLE 28
Pension Debt Repayments

Source	Fiscal Year	Amount	Estimated Savings
Internal Cash Loan	2017-18	$6 billion[a]	$5.6 billion (net of principal and interest on the loan)
General Fund	2018-19	$2.5 billion	$2.5 billion across fiscal years 2019-20, 2020-21, and 2021-22[b]
Motor Vehicle Account	2019-20 through 2022-23	$100 million[c]	$235 million over three decades
Proposition 2[d]	2020-21	$243 million[e]	$597 million over three decades
Proposition 2	2021-22	$1.9 billion[f]	$3.8 billion long-term gross savings
Proposition 2	2022-23	$2.9 billion[f]	$5.9 billion long-term gross savings
Proposition 2	2023-24	$1.7 billion [f]	$1.7 billion in fiscal year 2024-25[g]
Proposition 2	2024-25	$337 million[f]	To be determined[h]
Proposition 2	2025-26	$956 million[f]	To be determined[h]
Proposition 2	2026-27	$3 billion[f]	To be determined[h]

[a] This payment used an internal cash loan from the Surplus Money Investment Fund (a state fund managed by the State Treasurer's Office as part of the Pooled Money Investment Account to invest surplus cash from special funds held by state departments). The supplemental pension payment was apportioned accordingly to the five state retirement plans administered by CalPERS based on the unfunded liability of each plan. This loan is being repaid from all funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment. See "DEBTS AND LIABILITIES UNDER PROPOSITION 2" in the forepart of Appendix A for a description of the loan and related repayment terms and sources.

[b] As part of the 2020 Budget Act, the $2.5 billion payment originally made in fiscal year 2018-19 was directed to achieve savings over a short term, which resulted in a gross savings ratio of 1:1 (i.e., no net savings expected), with savings of roughly $100 million, $1 billion, and $1.4 billion, respectively, in fiscal years 2019-20, 2020-21, and 2021-22. To make the General Fund whole for its payment to CalPERS, other funds that make required state contributions to CalPERS transferred a portion of the $2.5 billion back to the General Fund over fiscal years 2020-21 and 2021-22. These transfers occurred in fiscal year 2021-22 in the amount of $482.7 million.

[c] Payments of $25 million were made for the California Highway Patrol plan from the Motor Vehicle Account in each of the following four fiscal years: 2019-20, 2020-21, 2021-22 and 2022-23.

[d] For fiscal years 2015-16 through 2029-30, Proposition 2 requires that 1.5 percent of annual General Fund revenues, plus the excess of capital gains tax receipts above a certain level not necessary to fund Proposition 98, be applied equally to funding the Budget Stabilization Account (to its constitutional maximum balance) and paying down state debts and liabilities, including unfunded state level pension liabilities. See "DEBTS AND LIABILITIES UNDER PROPOSITION 2" in the forepart of Appendix A for more information.

[e] This payment was applied only to the California Highway Patrol plan.

[f] Payments were/will be apportioned to four state plans—Miscellaneous, Industrial, Safety, and Peace Officer/Firefighter; the California Highway Patrol plan was excluded.

[g] This payment was applied to unfunded liabilities in a manner that, in part, results in reduced fiscal year 2024-25 contributions.

[h] Beginning with the June 30, 2025, actuarial valuation, supplemental pension payments are applied to dedicated credit amortization bases for each plan. As these amortization bases do not have a fixed amortization period and the credits used each year can vary, an estimated savings amount is no longer provided.

5. Prospective Funding Status; Future State Contributions

The level of future required contributions from the state will depend on a variety of factors, including future investment portfolio performance, actuarial assumptions, and additional potential changes in retirement benefits. For example, the CalPERS Board lowered the discount rate from 7 percent to 6.8 percent in November 2021 due to the fiscal year 2020-21 CalPERS investment returns triggering the CalPERS Funding Risk Mitigation Policy (see "Section 7. Actuarial Methods and Assumptions," below). A lower discount rate generally leads to higher required employer contributions. The statutorily required retirement contributions reflect the impact of the lower discount rate beginning with the 2022 Budget Act.

The application of supplemental pension payments may also affect future required contributions. Payments can generally be applied to realize long-term savings, improve funded status, or achieve a more stable and predictable contribution rate. See Section 4 "Additional Pension Debt Repayments" for additional details.

Projected Contribution Rates

The projected state contribution rates for fiscal years 2027-28 through 2031-32 as included in the April 2026 CalPERS Finance and Administration Board meeting materials are displayed in the table below. This agenda item reflects actuarial valuation results for the fiscal year ended June 30, 2025.

The projected rates in the table below reflect the CalPERS Board-adopted discount rate of 6.8 percent. The projected rates assume all other actuarial assumptions will be achieved and no changes to assumptions, methods, or benefits will occur during the projection period. These projected rates served as the basis for the future investment return and volatility sensitivity analyses set forth below.

The projected state contribution rates do not reflect the projected additional contributions pursuant to Government Code Section 20683.2, or the estimated impact of the supplemental pension payments included in the 2024, 2025, and 2026 Budget Acts using Proposition 2 funding. See "Member and State Contributions" for more information.

Projected Contribution Rates

	Fiscal Year				
Plan:	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-2**
State Miscellaneous	32.2%	31.0%	29.9%	29.1%	28.9%
State Industrial	20.9	19.8	18.7	17.9	17.8
State Safety	22.0	20.9	19.8	19.0	18.8
State Peace Officers & Firefighters	49.8	47.5	45.2	43.5	43.1
California Highway Patrol	64.5	62.0	61.5	57.8	57.0

Source: CalPERS Finance and Administration Committee Agenda Item 5d, April 13, 2026.

Sensitivity Analyses: Projecting Differing Investment Returns, Volatility, and Discount Rate

CalPERS' Circular Letter 200-049-25, as published in December 2025, includes a projection of two different investment return scenarios and updates the actuarial valuation as of June 30, 2024, by integrating investment returns which were not available at the time of the actuarial valuation. Tables below show projected state contribution rates for fiscal years 2026-27 through 2030-31 for the employee categories in those investment return scenarios, based on the preliminary 11.6 percent investment return for fiscal year 2024-25. Note that the projected state contribution rates in the tables below do not reflect the additional state contribution rates required by statute to offset increased member contributions under PEPRA pursuant to Government Code Section 20683.2. The projected state contribution rates assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

CalPERS has reported a preliminary 14.8 percent net return on investment for the fiscal year ended June 30, 2026. CalPERS has not, as of the date of this Official Statement, published an updated circular letter or equivalent projection analysis incorporating that fiscal year 2025-26 return. Accordingly, the following contribution-rate projection and sensitivity tables remain based on CalPERS Circular Letter 200-

049-25 and do not reflect the reported fiscal year 2025-26 investment return. See "Investment Policy; Investment Returns" and "Funding Status" below.

The two different investment return scenarios capturing 90 percent of likely outcomes over a 20-year period ending June 30, 2045, are as follows:

- The first scenario assumes a 3.0 percent return for each of the fiscal years. This represents the 5 percent lower bound for a 20-year stochastic analysis of possible outcomes.
- The second scenario assumes a 10.8 percent return for each of the fiscal years. This represents the 95 percent upper bound for a 20-year stochastic analysis of possible outcomes.

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

State Miscellaneous

Assumed annual return from fiscal years 2025-26 to 2044-45	Projected Contribution Rates Fiscal Year				
	2026-27	**2027-28**	**2028-29**	**2029-30**	**2030-31**
3.0% (5th percentile)	30.6%	31.9%	32.0%	32.5%	33.8%
10.8% (95th percentile)	30.6	30.8	28.6	25.7	9.6

State Industrial

Assumed annual return from fiscal years 2025-26 to 2044-45	Projected Contribution Rates Fiscal Year				
	2026-27	**2027-28**	**2028-29**	**2029-30**	**2030-31**
3.0% (5th percentile)	19.8%	21.0%	21.0%	21.5%	22.7%
10.8% (95th percentile)	19.8	19.9	17.9	9.4	9.3

State Safety

Assumed annual return from fiscal years 2025-26 to 2044-45	Projected Contribution Rates Fiscal Year				
	2026-27	**2027-28**	**2028-29**	**2029-30**	**2030-31**
3.0% (5th percentile)	20.9%	22.1%	22.1%	22.5%	23.8%
10.8% (95th percentile)	20.9	21.0	18.8	11.4	11.2

State Peace Officers & Firefighters

Assumed annual return from fiscal years 2025-26 to 2044-45	Projected Contribution Rates Fiscal Year				
	2026-27	**2027-28**	**2028-29**	**2029-30**	**2030-31**
3.0% (5th percentile)	47.7%	49.8%	49.7%	50.4%	52.6%
10.8% (95th percentile)	47.7	47.8	43.5	38.1	23.5

California Highway Patrol

Assumed annual return from fiscal years 2025-26 to 2044-45	Projected Contribution Rates Fiscal Year 2026-27	2027-28	2028-29	2029-30	2030-31
3.0% (5th percentile)	65.8%	67.9%	67.6%	70.5%	70.8%
10.8% (95th percentile)	65.8	65.7	60.8	57.1	48.6

Note: The foregoing sensitivity analyses have not been updated to reflect CalPERS' reported fiscal year 2025-26 investment return, the results of the June 30, 2025, actuarial valuation, or the return percentiles from the most recent Asset Liability Management review.

Source: CalPERS Circular Letter 200-049-25.

In addition, the Circular Letter 200-049-25 includes projections based on volatility scenarios of the portfolio. The tables below demonstrate the fiscal years 2026-27 and 2027-28 rate impacts of realizing losses of 5.2 percent and 17.2 percent in fiscal year 2025-26. In accordance with CalPERS policy, investment gains and losses are amortized over a 20-year period with the payment starting at a lower initial amount and ramping up over five years. This means the payment on these investment losses would increase for an additional four years.

State Miscellaneous

Assumed annual return for fiscal year 2025-26	Fiscal Year 2025-26	Projected Contribution Rates Fiscal Year 2026-27	2027-28
-17.2%	31.32%	30.6%	34.9%
-5.2%	31.32	30.6	33.1

State Industrial

Assumed annual return for fiscal year 2025-26	Fiscal Year 2025-26	Projected Contribution Rates Fiscal Year 2026-27	2027-28
-17.2%	20.54%	19.8%	23.8%
-5.2%	20.54	19.8	22.1

State Safety

Assumed annual return for fiscal year 2025-26	Fiscal Year 2025-26	Projected Contribution Rates Fiscal Year 2026-27	2027-28
-17.2%	21.67%	20.9%	24.9%
-5.2%	21.67	20.9	23.2

State Peace Officers & Firefighters

	Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year 2025-26	**2025-26**	**2026-27**	**2027-28**
-17.2%	49.36%	47.7%	55.2%
-5.2%	49.36	47.7	52.0

California Highway Patrol

	Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year 2025-26	**2025-26**	**2026-27**	**2027-28**
-17.2%	69.29%	65.8%	73.8%
-5.2%	69.29	65.8	70.3

Note: The foregoing sensitivity analyses have not been updated to reflect CalPERS' reported fiscal year 2025-26 investment return, the results of the June 30, 2025, actuarial valuation, or the return percentiles from the most recent Asset Liability Management review.

Source: CalPERS Circular Letter 200-049-25.

Additionally, the latest actuarial valuation for the fiscal year ended June 30, 2024, includes a sensitivity analysis of discount rates in accordance with state law. The analysis shows that employer contribution rates are highly sensitive to changes in the discount rate and that employer contribution rates would be significantly reduced if a higher discount rate is used, and employer contribution rates would significantly increase if a lower discount rate is used. For the specific impact on employer contribution rates and unfunded liability resulting from these different discount rate assumptions, see the CalPERS actuarial valuation for the fiscal year ended June 30, 2024.

6. Investment Policy; Investment Returns

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

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

The CalPERS Board adopted revisions to its Total Fund Investment Policy that included revisions to support the implementation of the Private Asset Classes new Strategic Asset Allocations (which were approved by the CalPERS Board in November 2021) and additional conforming changes for organization and business process changes. These revisions took effect November 1, 2023.

The following tables set forth the total return on all assets for PERF for fiscal years 2016-17 through 2025-26, as well as time-weighted average returns. These returns are net of investment expenses but are not reduced for administrative expenses.

TABLE 29
PERF Time-Weighted Investment Results Based On Fair Value

Fiscal Year	Annualized Rate of Return
2016-17	11.2%
2017-18	8.6
2018-19	6.7
2019-20	4.7
2020-21	21.3
2021-22	-6.1
2022-23	5.8
2023-24	9.3
2024-25	11.6
2025-26	14.8

Source: CalPERS Annual Comprehensive Financial Reports for Fiscal Year ended June 30, 2017, through June 30, 2025, and CalPERS July 13, 2026 Newsletter.

TABLE 30
PERF Time-Weighted Average Returns as of June 30, 2026

Period	Time Weighted Average Rate of Return
5 years	6.8%
10 years	8.6
20 years	6.8

Source: July 13, 2026 CalPERS Newsletter.

In 2019, CalPERS publicly indicated that it expected actual investment returns in the following ten-year period would be less than 7 percent, the then-current CalPERS' actuarial rate of return. This amount was re-evaluated in 2021, and a 6.8 percent return was estimated for the following 5 years, and the CalPERS Board adopted 6.8 percent as the new actuarially assumed discount rate, which is net of investment and administrative expenses. The assumed rate of return is 6.9 percent before reduction for assumed administrative expenses. Actual investment returns lower than the actuarially assumed level will result in decreased funding status and increased actuarially required contributions.

In November 2025, the CalPERS Board adopted a total portfolio approach, which does not specify a target for each asset classification. Instead, there is an equity-bonds reference portfolio that sets the market risk exposure, captures passive returns, and becomes the singular total fund performance benchmark. The reference portfolio adopted by the CalPERS Board is 75 percent global equities and 25 percent U.S. Treasury bonds, as well as a 400-basis-points active risk limit.

7. Actuarial Methods and Assumptions

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

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

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2025 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

The following table sets forth certain economic actuarial assumptions for fiscal years 2021-22 through 2025-26.

TABLE 31
Actuarial Assumptions—State Plans

	Fiscal Year				
Assumption	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26[(a)]**
Investment Returns	6.80%	6.80%	6.80%	6.80%	6.80%
Inflation	2.30	2.30	2.30	2.30	2.50
Salary Increase (Total Payroll)	2.80	2.80	2.80	2.80	3.00

[(a)] Actuarial assumptions updated as of November 2025 CalPERS Board Meeting.

Source: State Actuarial Valuations as of June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024 for fiscal years 2021-22, 2022-23, 2023-24, and 2024-25, respectively. CalPERS Finance and Administration Committee November 18, 2025, Agenda Item 5c PERF Actuarial Assumptions for fiscal year 2025-26.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy ("CalPERS Funding Risk Mitigation Policy") that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the CalPERS Funding Risk Mitigation Policy. The revisions included suspension of the CalPERS Funding Risk Mitigation Policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent. In April 2024, the CalPERS Board revised the CalPERS Funding Risk Mitigation Policy to remove the

automatic change to the discount rate if the actual returns exceed the assumed rate of return and instead any such returns in excess of the assumed rate would trigger a Board discussion.

CalPERS' investment return for the fiscal year ended June 30, 2021, was 21.3 percent, which outperformed the assumed 7 percent discount rate; thereby triggering the CalPERS Funding Risk Mitigation Policy described above. Approximately half of the excess return was used for rate relief and half of the excess return was used to lower the discount rate to 6.8 percent for all future years. The resulting impact to the required employer contribution rate changes were effective in fiscal year 2022-23 for state and school plans and in fiscal year 2023-24 for public agencies. The discount rate reduction will be in effect until the CalPERS Board makes the decision to change it, with or without the trigger of another risk-mitigation event.

CalPERS notes that for a given risk mitigation event, it is estimated that employer rates will decrease by about half of what they would have with no risk mitigation. The CalPERS Funding Risk Mitigation Policy requires staff to implement a new strategic asset allocation that will take effect on October 1 of the fiscal year immediately following the year the policy was triggered—in this case, fiscal year 2020-21 is the trigger year. CalPERS completed its Asset Liability Management Process in November 2021, and this effort resulted in a new strategic asset allocation that keeps the discount rate at 6.8 percent and incorporates a 5 percent leverage allocation. (Leverage is using borrowed funds to buy additional assets. Setting a 5 percent leverage allocation means that CalPERS may use a leverage amount of up to 5 percent of the size of the investments in the PERF policy portfolio, thereby also increasing the overall amount of investments within the portfolio. CalPERS staff recommended the addition as a way to increase portfolio diversification, though they acknowledged it can possibly result in higher losses based on market conditions.) In March 2024, CalPERS completed its mid-cycle Asset Liability Management Review, which resulted in updates to the capital market assumptions and changes to the strategic asset allocation for the PERF, but did not change the discount rate. (Capital market assumptions are the expected returns for various asset classes, inclusive of uncertainty. The strategic asset allocation is the target proportion of each asset type in the investment portfolio.)

On July 14, 2025, CalPERS reported a preliminary 11.6 percent net return on investment for the fiscal year ended June 30, 2025. The return outperformed the system's actuarially assumed 6.8 percent rate of return for the fiscal year and was included in the funding risk-mitigation discussion in CalPERS' November 2025 Board meeting. This discussion did not result in a reduction in the discount rate. As included in CalPERS' 2024-25 Annual Comprehensive Financial Report, the funded status of the overall PERF was estimated at 79 percent as of June 30, 2025 based on the 6.8 percent discount rate and 11.6 percent net return for fiscal year 2024-25. Additionally, based on CalPERS' July 13, 2026 Newsletter, the funded status of the overall PERF is estimated at 85 percent based on the 6.8 percent discount rate and 14.8 percent net return as of June 30, 2026.

CalPERS completed its Asset Liability Management Process in November 2025. The CalPERS Board adopted a total portfolio approach and maintained a discount rate of 6.8 percent.

8. Actuarial Valuation; Determination of Required Contributions

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

following fiscal year. State law requires the state to make the actuarially required contribution to PERF each year.

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

9. Funding Status

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

The unfunded liability allocable to state employees (excluding judges and elected officials) is $56.5 billion, as included in the state actuarial valuation results as of June 30, 2025. This is a decrease of $7.5 billion from the June 30, 2024 valuation. The funded ratio increased to 79.2 percent as of June 30, 2025, from 75.3 percent as of June 30, 2024.

On July 13, 2026, CalPERS reported a preliminary 14.8 percent net return on investment for the fiscal year ending June 30, 2026, exceeding the system's actuarially assumed 6.8 percent rate of return. The funded status of the overall PERF is estimated at 85 percent on a preliminary basis. The specific unfunded liability allocable to state employees is not yet available, nor is the funded status for the state portion.

TABLE 32
PERF Schedule of Funding Status
State Employees Only
(Dollars in Millions)

	Fiscal Year (June 30)				
	2021	**2022**	**2023**	**2024**	**2025**
Market Value of Assets (MVA)	$182,354	$167,420	$178,647	$195,488	$215,527
Actuarial Accrued Liabilities	225,974	238,203	248,129	259,549	272,055
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis	(43,621)	(70,783)	(69,483)	(64,061)	(56,528)
Covered Payroll	21,485	22,624	23,694	25,514	27,105
Funded Ratio (MVA)	80.7%	70.3%	72.0%	75.3%	79.2%

Sources: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2021 through June 30, 2024, and CalPERS Finance and Administration Committee State Agenda Items on April 13, 2026.

In the state's 2025 Annual Comprehensive Financial Report, the state's proportionate share of the Net Pension Liability for PERF as of the June 30, 2024 measurement date (as calculated in accordance with GASB Statement 68) was approximately $58.2 billion. See Note 11 in the 2025 Annual Comprehensive Financial Report.

10. Other Retirement Plans

CalPERS also administers the JRF, the JRF II, the LRF, and within the PERF, the 1959 Survivor Benefit program, which is a separately funded benefit with its own unfunded actuarial liability.

In the JRF actuarial reports for the year ended June 30, 2025, CalPERS reported that the JRF had an unfunded actuarial liability of approximately $2.4 billion. For the same year, the JRF II reported an actuarial surplus of $244.5 million, the LRF reported an unfunded actuarial liability of $3.4 million, and the 1959 Survivor Benefit Program reported an unfunded actuarial liability of $13.7 million for the state.

Further information concerning JRF, JRF II, and LRF can be found in CalPERS' financial reports and actuarial reports and is set forth in Note 11 (and the "Net Pension Liability and Related Rates" included in the Required Supplementary Information) to the Annual Comprehensive Financial Report of the State of California for the Year Ended June 30, 2025, attached as an appendix to this Official Statement.

CalSTRS

1. General

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

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

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

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

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

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

2. Members and Employers

As of June 30, 2025, the DB Program included approximately 1,800 employers. The following table reflects the total number of members in the DB Program as of June 30, 2024, and 2025.

TABLE 33
DB Program Membership

Membership	June 30, 2024	June 30, 2025
Active Members	467,449	471,044
Inactive Members	239,442	244,419
Retirees and Beneficiaries	333,410	338,712
Total	1,040,301	1,054,175

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2024, and June 30, 2025.

Based on information CalSTRS reported in its Annual Comprehensive Financial Report for fiscal year ended June 30, 2025, over the past six years, the number of active members grew by 4.3 percent, while the number of retirees and beneficiaries had grown by 9.7 percent. Between June 30, 2024 and June 30, 2025, the number of active members has increased by about 0.8 percent, while the number of retirees and beneficiaries has grown by about 1.6 percent.

3. Retirement Benefits

Member benefits are determined by statute in the Education Code and are generally based on a member's age, final compensation, and years of credited service. Members are 100 percent vested in retirement benefits after five years of credited service and are eligible for normal retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2 percent of final compensation (as defined in the Education Code) for each year of credited service (increases to a maximum of 2.4 percent of final compensation for members retiring after age 63), and members who retired on or after January 1, 2001, with 30 or more years of service by December 31, 2010, receive monthly longevity bonus payments of up to $400 per month. PEPRA increased the retirement age for new CalSTRS members hired on or after January 1, 2013. PEPRA members who retire at age 62 will be eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increases to a maximum of 2.4 percent of final compensation for members retiring after age 65). The PEPRA member population in CalSTRS has been increasing steadily over the last few years. As of June 30, 2024, there were about 200,000 active PEPRA members. According to CalSTRS, there are 216,713 active PEPRA members as of June 30, 2025, representing roughly 46 percent of the total active population.

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

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The following table shows the dollar amount of benefits and administrative expenses paid under the DB Program for fiscal years 2020-21 through 2024-25:

TABLE 34
DB Program
Schedule of Benefits Paid and Administrative Expenses
(Dollars in Millions)

Fiscal Year	Amount of Benefits Paid	Administrative Expenses Paid
2020-21	$15,868	$238
2021-22	16,583	185
2022-23	17,141	217
2023-24	17,750	199
2024-25	18,415	245

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2021 through June 30, 2025.

4. Funding for the DB Program

The DB Program is funded with a combination of investment earnings and contributions from members, employers, and the state. The DB Program is one of the four programs under the STRP. Although specific amounts vary from year to year, from 1995 through 2025, approximately 62 percent of total inflows to the STRP were derived from investment earnings, according to CalSTRS. As described below, historically the contribution rates of the members, employers, and the state have been determined by statute in the Education Code instead of actuarially determined amounts as is done for the CalPERS system. Over time, this has contributed to an underfunding of the DB Program.

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

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

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

Employer Contributions. Employers are required to make contributions to the DB Program. Prior to the passage of AB 1469, the employer contribution rate was 8.25 percent of creditable compensation.

Under AB 1469, employer contributions have increased from 8.25 percent of creditable compensation to the current rate of 19.1 percent. Beginning in fiscal year 2021-22 through fiscal year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the total employer contribution rate based on a 2046 target date to eliminate the unfunded actuarial obligation associated with benefit improvements enacted after July 1, 1990, and for service prior to July 1, 2014. The rate may be increased or decreased by up to 1 percentage point each year, but may be no higher than 20.25 percent and no lower than 8.25 percent under AB 1469. In May 2026, the CalSTRS Board elected not to adjust the employer contribution rate for fiscal year 2026-27, and to keep it at 19.1 percent.

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

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

Under AB 1469, the state increased its supplemental contribution to the July 1, 1990, benefit obligation to a rate of 4.311 percent in fiscal year 2016-17. Beginning in fiscal year 2017-18 through fiscal year 2045-46, the CalSTRS Board is authorized to adjust the supplemental state contribution rate up 0.50 percent each year to eliminate the unfunded obligation for benefits in place as of July 1, 1990. If there is no unfunded obligation, the supplemental contribution shall be reduced to zero. In fiscal years 2017-18, 2018-19, 2019-20, and 2021-22 the CalSTRS Board adopted the maximum increase allowed. AB 84 amended the statute to suspend the CalSTRS Board's authority to adjust the state contribution rate for fiscal year 2020-21. The 2020-21 Budget instead authorized the state to make supplemental pension payments to CalSTRS using available Proposition 2 debt repayment funding. The 2021 Budget Act included a $410 million supplemental pension payment in fiscal year 2021-22 towards the state's share of unfunded liability for the DB Program. No additional supplemental payments to the DB Program have been appropriated by the state since then.

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

5. Accounting Standards

The Basic Financial Statements contained in the CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2025 (the "CalSTRS 2025 Financial Statements") were prepared in accordance with generally accepted accounting principles. The net pension liability was prepared in accordance with GASB Statement 67. GASB Statement 67 impacts the financial reporting requirements for

CalSTRS but does not change the funding requirements for members, employers, or the state. The CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2025, is available on the CalSTRS website at www.calstrs.com. Such information is not incorporated by reference herein.

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

Investors should note that the CalSTRS 2025 Financial Statements display the NPL of the entire STRP and do not provide a calculation of the DB Program separately. CalSTRS reports that an actuarial valuation of the DB Program will continue to be prepared. See "Actuarial Valuation" below for information about the most recent valuation report for the DB Program.

In Schedule A of the Other Pension Information report of the STRP for the fiscal year ended June 30, 2025 (which is available on the CalSTRS website at www.calstrs.com, however, such information is not incorporated by reference herein), 32.705 percent of the total employer and state contributions is allocated to the state. This value is used in the state's financial statements to represent the percent of NPL allocated to the state. GASB Statement 68 requires employers and non-employer contributing entities to report any NPL as a liability in their Statement of Net Position. The state's proportionate share of the NPL is 31.5 percent or $21.1 billion as of the June 30, 2024 measurement date pursuant to the state's financial statements for the fiscal year ended June 30, 2025. See Note 11 in the 2025 Annual Comprehensive Financial Report.

6. Funding for the SBMA

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

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

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The following table displays the total state contributions to CalSTRS for the DB Program, SBMA, and the additional Pre-1990 Defined Benefit supplemental payments scheduled pursuant to AB 1469 for fiscal years 2022-23 through 2026-27.

TABLE 35
Schedule of General Fund Contributions from the State
(Dollars in Millions)

Fiscal Year	DB Program	SBMA	Pre-1990 DB	Total
2022-23	$705	$802	$2,205	$3,712
2023-24	747	854	2,338	3,939
2024-25	806	928	2,523	4,257
2025-26	876	1,014	2,741	4,632
2026-27	904	1,049	2,829	4,782

Note: Totals may not add due to rounding.

Source: State of California, Department of Finance.

7. Actuarial Methods and Assumptions

CalSTRS retains an independent actuary (the "CalSTRS Consulting Actuary") that prepares annual actuarial valuation reports of the DB Program. The CalSTRS Consulting Actuary also prepares reports reviewing the DB Program's actual experience generally every four years. The CalSTRS Board uses experience reports to evaluate how realistic the long-term assumptions have been and may be in the future. On April 28, 2026, the CalSTRS Consulting Actuary released the 2025 valuation report for the DB Program (the "2025 CalSTRS Valuation") that was adopted by the CalSTRS Board on May 28, 2026. The 2025 CalSTRS Valuation provides an annual update of the fund's assets and liabilities for the Defined Benefit Program as of June 30, 2025.

In preparing the 2025 CalSTRS Valuation, the CalSTRS Consulting Actuary used the Entry Age Actuarial Cost Method to measure the accruing costs of benefits under the DB Program. GASB Statements 67 and 68 require all state and local governments with pension liabilities to use the Entry Age Actuarial Cost Method. Under the Entry Age Actuarial Cost Method, the actuarial present value of projected benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of the actuarial present value allocated to the valuation year is called the normal cost and represents the cost assigned to a member for a given year, such that it would meet the continuing costs of a particular benefit if contributed each year starting with the date of membership. The CalSTRS Consulting Actuary notes that the Entry Age Actuarial Cost Method is designed to produce a normal cost rate that remains a level percentage of earned salaries and that the normal cost rate is expected to remain stable so long as the benefit provisions are not amended, the assumptions are not changed, membership experience emerges as assumed, and the demographic characteristics of the membership remain reasonably consistent. Some of the key demographic information taken into account includes assumptions about membership, service retirements, disability retirements, deaths, and merit salary increases, and some of the economic items include assumptions about investment performance, inflation, and wage growth.

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

methods are required in valuing assets. The following table sets forth certain actuarial methods and assumptions for the four fiscal years ended June 30.

TABLE 36
Actuarial Methods and Assumptions—DB Program

	Fiscal Year			
Methods	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll
Amortization Period	Closed	Closed	Closed	Closed
Amortization Period End Date	June 30, 2046	June 30, 2046	June 30, 2046	June 30, 2046
Asset Valuation Method	Adjustment to market value	Adjustment to market value	Adjustment to market value	Adjustment to market value
Actuarial Assumptions				
Investment Rate of Return	7.00%	7.00%	7.00%	7.00%
Interest on Accounts	3.00	3.00	3.00	3.00
Payroll Growth	3.50	3.50	3.25	3.25
Consumer Price Inflation	2.75	2.75	2.75	2.75
Post-retirement Benefit Increases	2.00 (simple)	2.00 (simple)	2.00 (simple)	2.00 (simple)

Source: CalSTRS Annual Comprehensive Financial Reports for Fiscal Years ended June 30, 2022 through June 30, 2025.

At its January 10, 2024, meeting, the CalSTRS Board approved several changes to demographic assumptions, with the most significant changes being the mortality assumption. The demographic assumption changes were based on the 2024 experience study also adopted by the CalSTRS Board in January 2024. These changes were reflected in CalSTRS' Valuation reports beginning with the 2023 valuation.

8. Actuarial Valuation

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

To reduce rate volatility, actual market gains and losses are spread or "smoothed" over a three-year period; that is, one third of the difference between the expected actuarial value of assets and the fair market value of assets is taken into account to determine the actuarial value of assets. For example, based on the 2025 CalSTRS Valuation, due to the asset smoothing method, investment gains of $7 billion have not been recognized.

GASB Statements 67 and 68 require state and local governments with pension liabilities to recognize the differences between expected and actual investment returns over a closed 5-year period for financial reporting purposes. CalSTRS uses a 3-year period for valuation purposes.

9. Funding Status

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

TABLE 37
DB Program Schedule of Funding Status
(Dollars in Millions)

	2020-21[(a)]	2021-22[(a)]	2022-23[(a)]	2023-24[(a)]	2024-25[(a)]
Market Value of Assets (MVA)	$271,946	$260,286	$274,170	$294,975	$320,487
Actuarial Value of Assets (AVA)	242,363	257,537	273,155	291,838	313,533
Actuarial Accrued Liabilities	332,082	346,089	359,741	380,507	395,525
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis[(a)]	(60,136)	(85,803)	(85,571)	(85,532)	(75,038)
Excess of Actuarial Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) AVA Basis	(89,719)	(88,552)	(86,586)	(88,669)	(81,992)
Covered Payroll	34,590	37,191	39,095	43,756	44,480
Funded Ratio (MVA)	81.9%	75.2%	76.2%	77.5%	81.0%
Funded Ratio (AVA)	73.0%	74.4%	75.9%	76.7%	79.3%

[(a)] The AAL is referred to as the Actuarial Obligation and the UAAL is referred to as the Unfunded Actuarial Obligation (UAO) in the 2021, 2022, 2023, 2024, and 2025 CalSTRS Valuation.

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2021, through June 30, 2025.

The market value of the entire DB Program investment assets was $320.5 billion as of June 30, 2025, an 8.6 percent increase from $295 billion as of June 30, 2024.

10. Prospective Funding Status; Future Contributions

The 2026 Budget Act includes $4.8 billion from the General Fund for fiscal year 2026-27 state contributions to CalSTRS.

Under the current CalSTRS actuarial assumptions and the AB 1469 funding plan, with the supplemental pension payments, the state contribution rate is expected to remain the same through fiscal year 2026-27, and, beginning in fiscal year 2027-28, the state is anticipated to have fully funded its share of the unfunded actuarial obligation and subsequently the state supplemental contribution rate will be eliminated.

11. Investment Policy; Investment Returns

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

CalSTRS has established a series of procedures and guidelines with respect to investments. The procedures, grouped together as the "Investment Policy Statement" ("IPS"), serve to guide CalSTRS' asset allocation strategy for all CalSTRS' programs, including the DB Program. The CalSTRS Board reviews the IPS annually. CalSTRS follows strategic allocation guidelines that identify targets for the percentage of funds to be invested in each asset class. These targets are typically implemented over a period of several years. The CalSTRS Board approved updated asset allocation targets at its May 4, 2023 meeting. Additional information concerning CalSTRS investments can be found on the CalSTRS website. Such information is not incorporated by reference herein.

On January 11, 2024, the CalSTRS Board adopted a revision to the IPS which allows for the use of leverage from time to time, on a temporary basis, in a total amount up to a maximum of 10 percent of the whole of CalSTRS investment portfolio (the "total fund") to provide the flexibility to position the portfolio and manage liquidity over a business cycle. This additional policy language adds transparency and codifies CalSTRS' current use of leverage to manage total fund positioning while providing the Investment Committee with enhanced reporting and oversight. CalSTRS intends to use leverage at the total fund on a temporary basis to fulfill cash flow needs in circumstances when it is disadvantageous to sell assets. CalSTRS has utilized leverage tools such as futures, swaps, reverse repurchase agreements and bank credit lines, and is considering the use of commercial paper and unsecured term debt as new forms of leverage.

The following tables set forth the total return on all CalSTRS' assets (including the DB Program assets) for the fiscal years ended June 30, 2017, through June 30, 2026, as well as time-weighted average returns.

TABLE 38
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2016-17	13.4
2017-18	9.0
2018-19	6.8
2019-20	3.9
2020-21	27.2
2021-22	-1.3
2022-23	6.2
2023-24	8.4
2024-25	8.5
2025-26	13.9

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2017, through June 30, 2025, and CalSTRS August 4, 2026 News Release.

TABLE 39
CalSTRS Time-Weighted Net Returns as of June 30, 2025

Period	Time-Weighted Rate of Return
3 years	7.7%
5 years	9.4
10 years	8.1
20 years	7.4

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2025.

June 2026

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

MALIA M. COHEN
California State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 10, 2026

Dear Users of the Statement of General Fund Cash Receipts and Disbursements:

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2025, through June 30, 2026. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2025-26 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

As noted in the statement, the state began the fiscal year with a $33.8 billion General Fund cash balance and ended June with a balance of $49.8 billion. As of June 30, California had $84.5 billion in unused borrowable resources and fiscal year-to-date receipts exceeded estimates contained in the 2026-27 May Revision by approximately $913.1 million, or 0.4 percent. Disbursements for the fiscal year through June were $10.1 billion, or 4.0 percent, lower than anticipated in the 2026-27 May Revision.

The State Controller's Office borrows from special funds outside of the General Fund for short-term only cash flow purposes to manage the timing of revenues and expenditures and ensures that this daily and monthly borrowing does not affect the operations of the special funds. The Controller cautions against the use of special fund borrowing for budgetary purposes as it may increase future debts and deplete reserves, limiting the state's ability in an economic downturn to avoid harsh spending cuts.

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2025-26 fiscal year to cash flow estimates prepared by the DOF based upon the 2026-27 May Revision. Attachment B compares actual receipts and disbursements for the 2025-26 fiscal year to cash flow estimates prepared by the DOF based upon the 2025-26 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov.

Please direct any questions relating to this report to Ted Lambert, Division Chief, State Accounting and Reporting Division, at (916) 203-6774.

Sincerely,

Original Signed By

Malia M. Cohen

300 Capitol Mall, Suite 1850, Sacramento, CA 95814 | P.O. Box 942850, Sacramento, CA 94250 | Fax: 916.322.4404
sco.ca.gov

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2026-27 May Revision Estimates
(Amounts in thousands)

	July 1 through June 30				
	2026				2025
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 33,816,189**	**$ 33,816,189**	**$ -**	**-**	**$ 14,698,432**
Or Beginning Outstanding Loan Balance	-	-	-	-	**-**
Add Receipts:					
Revenues	247,314,416	246,641,064	673,352	0.3	212,386,661
Nonrevenues	11,556,501	11,316,779	239,722	2.1	20,789,201
Total Receipts	258,870,917	257,957,843	913,074	0.4	233,175,862
Less Disbursements (c):					
State Operations	48,939,858	51,683,725	(2,743,867)	(5.3)	50,989,320
Local Assistance	185,581,187	193,404,810	(7,823,623)	(4.0)	155,749,586
Capital Outlay	584,385	722,233	(137,848)	(19.1)	615,998
Nongovernmental	7,809,447	7,164,823	644,624	9.0	6,703,201
Total Disbursements	242,914,877	252,975,591	(10,060,714)	(4.0)	214,058,105
			-		
Receipts Over / (Under) Disbursements	15,956,040	4,982,252	10,973,788	220.3	19,117,757
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	49,772,229	38,798,441	10,973,788	28.3	33,816,189
Special Fund for Economic Uncertainties	4,511,770	4,511,754	16	-	3,475,689
TOTAL CASH	**$ 54,283,999**	**$ 43,310,195**	**$ 10,973,804**	**25.3**	**$ 37,291,878**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 4,511,770	$ 4,511,754	$ 16	-	$ 3,475,689
Budget Stabilization Account	11,191,422	11,191,422	-	-	17,633,422
Other Internal Sources (f)	69,811,889	78,885,160	(9,073,271)	(11.5)	70,446,856
Cash Balance from Borrowable Resources	85,515,081	94,588,336	(9,073,255)	(9.6)	91,555,967
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	235,476	365,000	(129,524)	(35.5)	262,743
SMIF Loans (SB 84, GC 20825)	800,071	1,419,000	(618,929)	(43.6)	1,418,700
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	-
Total Available Borrowable Resources (e)	84,479,534	92,804,336	(8,324,802)	(9.0)	89,874,524
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 84,479,534	$ 92,804,336	$ (8,324,802)	(9.0)	$ 89,874,524

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2025-26 fiscal year was prepared by the Department of Finance for the 2026-27 May Revision. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.0 billion is comprised of internal borrowing. Current balance is comprised of $0.0 billion carried forward from June 30, 2024, plus current year Net Increase/(Decrease) in Temporary Loans of $0.0 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)

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

(Continued on A2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of June		July 1 through June 30 2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
REVENUES							
Alcoholic Beverage Excise Taxes	$ 25,444	$ 27,910	$ 409,153	$ 413,142	$ (3,989)	(1.0)	$ 417,151
Corporation Tax	13,906,117	10,734,266	47,939,578	46,826,036	1,113,542	2.4	39,423,089
Cigarette Tax	3,011	3,140	35,752	35,360	392	1.1	36,120
Estate, Inheritance, and Gift Tax	-	-	19	19	-	-	12
Insurance Companies Tax	297,835	297,466	4,530,634	4,510,369	20,265	0.4	4,263,730
Personal Income Tax	17,663,211	14,323,340	152,970,656	152,937,490	33,166	-	126,419,652
Retail Sales and Use Taxes	3,469,113	3,285,212	34,942,092	34,567,851	374,241	1.1	33,595,479
Vehicle License Fees	-	-	4	-	4	(1.0)	6
Pooled Money Investment Interest	143,499	179,089	2,854,052	2,928,407	(74,355)	(2.5)	3,099,671
Not Otherwise Classified	1,354,712	2,638,504	3,632,476	4,422,390	(789,914)	(17.9)	5,131,751
Total Revenues	**36,862,942**	**31,488,927**	**247,314,416**	**246,641,064**	**673,352**	**0.3**	**212,386,661**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	-	19,893	1,594	1,594	-	-	349,906
Transfers from Other Funds	1,107,444	567,934	10,314,785	10,085,436	229,349	2.3	19,556,203
Miscellaneous	9,957	13,336	1,240,122	1,229,749	10,373	0.8	883,092
Total Nonrevenues	**1,117,401**	**601,163**	**11,556,501**	**11,316,779**	**239,722**	**2.1**	**20,789,201**
Total Receipts	**$ 37,980,343**	**$ 32,090,090**	**$ 258,870,917**	**$ 257,957,843**	**$ 913,074**	**0.4**	**$ 233,175,862**

(Continued from A1)

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

(f) Other Internal Sources balance includes $0.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $1.2 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of June		July 1 through June 30				
			2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 366,452	$ 222,497	$ 3,278,428	$ 3,355,576	$ (77,148)	(2.3)	$ 2,589,149
Business, Consumer Services and Housing	13,970	12,979	172,945	267,878	(94,933)	(35.4)	212,808
Transportation	19,229	34,913	105,180	96,008	9,172	9.6	143,416
Resources	153,119	286,150	3,983,538	4,139,846	(156,308)	(3.8)	5,092,815
Environmental Protection Agency	7,821	29,512	202,101	217,852	(15,751)	(7.2)	204,678
Health and Human Services:							
Health Care Services and Public Health	55,974	56,887	772,008	815,901	(43,893)	(5.4)	979,006
Department of State Hospitals	250,443	244,566	2,778,002	2,820,273	(42,271)	(1.5)	2,696,508
Other Health and Human Services	69,123	77,554	1,028,339	1,071,099	(42,760)	(4.0)	1,003,499
Education:							
University of California	399,478	518,787	5,240,357	5,323,183	(82,826)	(1.6)	4,920,499
State Universities and Colleges	140,600	157	5,289,574	5,289,570	4	-	5,030,032
Other Education	29,659	28,565	405,207	393,563	11,644	3.0	457,992
Dept. of Corrections and Rehabilitation	1,108,188	1,049,990	13,733,067	13,755,830	(22,763)	(0.2)	13,573,983
Governmental Operations	(376,946)	158,052	2,802,333	3,468,455	(666,122)	(19.2)	3,892,128
General Government	381,375	391,751	4,826,973	5,712,484	(885,511)	(15.5)	3,948,608
Public Employees' Retirement System	(394,843)	569,358	(1,180,827)	74	(1,180,901)	(1,595,812.2)	1,099,849
Debt Service (d)	(81,538)	(80,243)	5,396,101	4,849,601	546,500	11.3	5,027,372
Interest on Loans	-	-	106,532	106,532	-	-	116,978
Total State Operations	**2,142,104**	**3,601,475**	**48,939,858**	**51,683,725**	**(2,743,867)**	**(5.3)**	**50,989,320**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	6,973,198	7,134,403	74,341,124	75,876,970	(1,535,846)	(2.0)	60,688,449
Community Colleges	902,785	1,410,942	8,247,299	8,233,395	13,904	0.2	7,564,791
State Teachers' Retirement System	-	-	4,632,467	4,632,467	-	-	4,257,738
Other Education	302,854	48,435	5,185,658	4,897,051	288,607	5.9	5,575,653
Dept. of Corrections and Rehabilitation	25,542	32,287	488,118	498,002	(9,884)	(2.0)	511,665
Health Care Services and Public Health:							
Medical Assistance Program	4,267,152	3,416,844	45,770,227	50,641,395	(4,871,168)	(9.6)	36,664,312
Other Health Care Services/Public Health	55,440	90,099	749,980	774,709	(24,729)	(3.2)	842,010
Developmental Services - Regional Centers	348,943	673,827	11,604,204	11,787,600	(183,396)	(1.6)	8,923,352
Dept. of Social Services:							
SSI/SSP/IHSS	1,266,462	827,677	14,840,173	14,818,629	21,544	0.1	13,231,356
CalWORKs	235,463	401,722	6,332,849	6,382,902	(50,053)	(0.8)	4,057,560
Other Social Services	173,179	183,302	2,261,062	2,326,192	(65,130)	(2.8)	2,359,972
Tax Relief	-	-	379,594	413,000	(33,406)	(8.1)	385,145
Other Local Assistance	921,200	925,919	10,748,432	12,122,498	(1,374,066)	(11.3)	10,687,583
Total Local Assistance	**15,472,218**	**15,145,457**	**185,581,187**	**193,404,810**	**(7,823,623)**	**(4.0)**	**155,749,586**

See notes on page A1 and A2.

(Continued)

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

	Month of June		July 1 through June 30 2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
CAPITAL OUTLAY (c)	**7,058**	**22,008**	**584,385**	**722,233**	**(137,848)**	**(19.1)**	**615,998**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	1,037,172	1,037,172	-	-	-
Transfer to Budget Stabilization Account	-	-	658,000	658,000	-	-	884,000
Transfer to Other Funds	548,739	786,768	1,858,353	1,225,580	632,773	51.6	4,044,997
Transfer to Revolving Fund	-	(22)	15,970	18,370	(2,400)	(13.1)	33,280
Advance:							
MediCal Provider Interim Payment	-	-	4,289,792	4,289,792	-	-	1,693,449
State-County Property Tax Administration Program	27,352	-	19,046	(8,306)	27,352	329.3	(12,713)
Social Welfare Federal Fund	(3,036)	57,500	(34,259)	(29,304)	(4,955)	(16.9)	27,300
Local Governmental Entities	-	-	(1,444)	(1,444)	-	-	(1,411)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	310,052	343,235	(33,183)	(25,037)	(8,146)	(32.5)	34,299
Total Nongovernmental	**883,107**	**1,187,481**	**7,809,447**	**7,164,823**	**644,624**	**9.0**	**6,703,201**
Total Disbursements	**$ 18,504,487**	**$ 19,956,421**	**$ 242,914,877**	**$ 252,975,591**	**$ (10,060,714)**	**(4.0)**	**$ 214,058,105**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ -	$ -	$ -	-	$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ -**

See notes on page A1 and A2.

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

	July 1 through June 30			
	General Fund		Special Funds	
	2026	2025	2026	2025
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 409,153	$ 417,151	$ -	$ (2)
Corporation Tax	47,939,578	39,423,089	-	1
Cigarette Tax	35,752	36,120	1,132,243	1,201,613
Cannabis Excise Taxes	-	-	645,182	631,185
Estate, Inheritance, and Gift Tax	19	12	-	-
Insurance Companies Tax	4,530,634	4,263,730	-	1
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	7,988,557	7,917,716
Diesel & Liquid Petroleum Gas	-	-	1,444,608	1,481,402
Jet Fuel Tax	-	-	4,052	3,925
Vehicle License Fees	4	6	3,758,564	3,684,679
Personal Income Tax	152,970,656	126,419,652	2,740,812	2,267,377
Retail Sales and Use Taxes	34,942,092	33,595,479	20,401,519	19,899,182
Pooled Money Investment Interest	2,854,052	3,099,671	7,722	7,380
Total Major Taxes, Licenses, and Investment Income	**243,681,940**	**207,254,910**	**38,123,259**	**37,094,459**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	2,873	2,363	101,736	100,182
Motor Vehicle Registration and Other Fees	-	-	9,125,378	8,998,173
Cannabis Licensing Fees	-	-	27,435	30,199
Electrical Energy Tax	-	-	1,027,015	1,065,006
Private Rail Car Tax	9,166	13,200	-	-
Penalties on Traffic Violations	-	-	-	1
Health Care Receipts	4,927	2,044	-	-
Revenues from State Lands	25,830	75,908	-	-
Abandoned Property	1,320,488	1,302,636	-	-
Trial Court Revenues	27,478	25,299	1,581,224	1,501,016
Horse Racing Fees	-	-	17,302	20,113
Cap and Trade	-	-	3,375,008	3,379,368
Individual Shared Responsibility Penalty Assessments	-	-	292,214	298,114
Miscellaneous Tax Revenue	-	-	12,704,877	13,758,956
Cost Recoveries	1,468,879	-	-	-
Miscellaneous	772,835	3,710,301	18,440,908	20,758,433
Not Otherwise Classified	**3,632,476**	**5,131,751**	**46,693,097**	**49,909,561**
Total Revenues, All Governmental Cost Funds	**$ 247,314,416**	**$ 212,386,661**	**$ 84,816,356**	**$ 87,004,020**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2025-26 Budget Act
(Amounts in thousands)

	July 1 through June 30				
	2026				2025
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 33,816,189**	**$ 33,816,189**	**$ -**	**-**	**$ 14,698,432**
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	247,314,416	211,891,706	35,422,710	16.7	212,386,661
Nonrevenues	11,556,501	8,497,604	3,058,897	36.0	20,789,201
Total Receipts	258,870,917	220,389,310	38,481,607	17.5	233,175,862
Less Disbursements (c):					
State Operations	48,939,858	49,185,040	(245,182)	(0.5)	50,989,320
Local Assistance	185,581,187	188,766,675	(3,185,488)	(1.7)	155,749,586
Capital Outlay	584,385	682,785	(98,400)	(14.4)	615,998
Nongovernmental	7,809,447	4,964,487	2,844,960	57.3	6,703,201
Total Disbursements	242,914,877	243,598,987	(684,110)	(0.3)	214,058,105
			-		
Receipts Over / (Under) Disbursements	15,956,040	(23,209,677)	39,165,717	168.7	19,117,757
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	49,772,229	10,606,512	39,165,717	369.3	33,816,189
Special Fund for Economic Uncertainties	4,511,770	4,512,651	(881)	-	3,475,689
TOTAL CASH	**$ 54,283,999**	**$ 15,119,163**	**$ 39,164,836**	**259.0**	**$ 37,291,878**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 4,511,770	$ 4,512,651	$ (881)	-	$ 3,475,689
Budget Stablization Account	11,191,422	11,191,422	-	-	17,633,422
Other Internal Sources (f)	69,811,889	72,721,160	(2,909,271)	(4.0)	70,446,856
Cash Balance from Borrowable Resources	85,515,081	88,425,233	(2,910,152)	(3.3)	91,555,967
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	235,476	365,000	(129,524)	(35.5)	262,743
SMIF Loans (SB 84, GC 20825)	800,071	1,419,000	(618,929)	(43.6)	1,418,700
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	-
Total Available Borrowable Resources (e)	84,479,534	86,641,233	(2,161,699)	(2.5)	89,874,524
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 84,479,534	$ 86,641,233	$ (2,161,699)	(2.5)	$ 89,874,524

General Note:

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

Footnotes:

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(b) Outstanding loan balance of $0.0 billion is comprised of internal borrowing. Current balance is comprised of $0.0 billion carried forward from June 30, 2025, plus current year Net Increase/(Decrease) in Temporary Loans of $0.0 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)

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

(Continued on B2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
REVENUES							
Alcoholic Beverage Excise Taxes	$ 25,444	$ 27,910	$ 409,153	$ 421,023	$ (11,870)	(2.8)	$ 417,151
Corporation Tax	13,906,117	10,734,266	47,939,578	37,440,469	10,499,109	28.0	39,423,089
Cigarette Tax	3,011	3,140	35,752	34,841	911	2.6	36,120
Estate, Inheritance, and Gift Tax	-	-	19	-	19	-	12
Insurance Companies Tax	297,835	297,466	4,530,634	4,358,501	172,133	3.9	4,263,730
Personal Income Tax	17,663,211	14,323,340	152,970,656	129,722,476	23,248,180	17.9	126,419,652
Retail Sales and Use Taxes	3,469,113	3,285,212	34,942,092	34,825,446	116,646	0.3	33,595,479
Vehicle License Fees	-	-	4	-	4	(1.0)	6
Pooled Money Investment Interest	143,499	179,089	2,854,052	2,588,743	265,309	10.2	3,099,671
Not Otherwise Classified	1,354,712	2,638,504	3,632,476	2,500,207	1,132,269	45.3	5,131,751
Total Revenues	**36,862,942**	**31,488,927**	**247,314,416**	**211,891,706**	**35,422,710**	**16.7**	**212,386,661**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	-	19,893	1,594	-	1,594	-	349,906
Transfers from Other Funds	1,107,444	567,934	10,314,785	8,248,500	2,066,285	25.1	19,556,203
Miscellaneous	9,957	13,336	1,240,122	249,104	991,018	397.8	883,092
Total Nonrevenues	**1,117,401**	**601,163**	**11,556,501**	**8,497,604**	**3,058,897**	**36.0**	**20,789,201**
Total Receipts	**$ 37,980,343**	**$ 32,090,090**	**$ 258,870,917**	**$ 220,389,310**	**$ 38,481,607**	**17.5**	**$ 233,175,862**

(Continued from B1)

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

(f) Other Internal Sources balance includes $0.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $1.2 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of June		July 1 through June 30 2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 366,452	$ 222,497	$ 3,278,428	$ 2,965,434	$ 312,994	10.6	$ 2,589,149
Business, Consumer Services and Housing	13,970	12,979	172,945	127,309	45,636	35.8	212,808
Transportation	19,229	34,913	105,180	44,864	60,316	134.4	143,416
Resources	153,119	286,150	3,983,538	2,699,197	1,284,341	47.6	5,092,815
Environmental Protection Agency	7,821	29,512	202,101	120,249	81,852	68.1	204,678
Health and Human Services:							
Health Care Services and Public Health	55,974	56,887	772,008	726,988	45,020	6.2	979,006
Department of State Hospitals	250,443	244,566	2,778,002	2,615,923	162,079	6.2	2,696,508
Other Health and Human Services	69,123	77,554	1,028,339	1,015,817	12,522	1.2	1,003,499
Education:							
University of California	399,478	518,787	5,240,357	5,059,876	180,481	3.6	4,920,499
State Universities and Colleges	140,600	157	5,289,574	4,958,170	331,404	6.7	5,030,032
Other Education	29,659	28,565	405,207	413,021	(7,814)	(1.9)	457,992
Dept. of Corrections and Rehabilitation	1,108,188	1,049,990	13,733,067	13,345,414	387,653	2.9	13,573,983
Governmental Operations	(376,946)	158,052	2,802,333	2,424,490	377,843	15.6	3,892,128
General Government	381,375	391,751	4,826,973	7,242,782	(2,415,809)	(33.4)	3,948,608
Public Employees' Retirement System	(394,843)	569,358	(1,180,827)	-	(1,180,827)	-	1,099,849
Debt Service (d)	(81,538)	(80,243)	5,396,101	5,324,023	72,078	1.4	5,027,372
Interest on Loans	-	-	106,532	101,483	5,049	5.0	116,978
Total State Operations	**2,142,104**	**3,601,475**	**48,939,858**	**49,185,040**	**(245,182)**	**(0.5)**	**50,989,320**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	6,973,198	7,134,403	74,341,124	79,071,058	(4,729,934)	(6.0)	60,688,449
Community Colleges	902,785	1,410,942	8,247,299	8,182,515	64,784	0.8	7,564,791
State Teachers' Retirement System	-	-	4,632,467	4,626,372	-	-	4,257,738
Other Education	302,854	48,435	5,185,658	4,498,184	687,474	15.3	5,575,653
Dept. of Corrections and Rehabilitation	25,542	32,287	488,118	532,262	(44,144)	(8.3)	511,665
Health Care Services and Public Health:							
Medical Assistance Program	4,267,152	3,416,844	45,770,227	47,604,021	(1,833,794)	(3.9)	36,664,312
Other Health Care Services/Public Health	55,440	90,099	749,980	867,297	(117,317)	(13.5)	842,010
Developmental Services - Regional Centers	348,943	673,827	11,604,204	12,068,665	(464,461)	(3.8)	8,923,352
Dept. of Social Services:							
SSI/SSP/IHSS	1,266,462	827,677	14,840,173	13,849,269	990,904	7.2	13,231,356
CalWORKs	235,463	401,722	6,332,849	5,921,023	411,826	7.0	4,057,560
Other Social Services	173,179	183,302	2,261,062	2,404,331	(143,269)	(6.0)	2,359,972
Tax Relief	-	-	379,594	413,000	(33,406)	(8.1)	385,145
Other Local Assistance	921,200	925,919	10,748,432	8,728,678	2,019,754	23.1	10,687,583
Total Local Assistance	**15,472,218**	**15,145,457**	**185,581,187**	**188,766,675**	**(3,185,488)**	**(1.7)**	**155,749,586**

See notes on page B1 and B2.

(Continued)

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

	Month of June		July 1 through June 30				
			2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
CAPITAL OUTLAY (c)	**7,058**	**22,008**	**584,385**	**682,785**	**(98,400)**	**(14.4)**	**615,998**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	1,037,172	1,036,962	210	-	-
Transfer to Budget Stabilization Account	-	-	658,000	658,000	-	-	884,000
Transfers to Other Funds	548,739	786,768	1,858,353	965,400	892,953	92.5	4,044,997
Transfer to Revolving Fund	-	(22)	15,970	-	15,970	-	33,280
Advance:							
MediCal Provider Interim Payment	-	-	4,289,792	2,291,260	1,998,532	87.2	1,693,449
State-County Property Tax Administration Program	27,352	-	19,046	-	19,046	-	(12,713)
Social Welfare Federal Fund	(3,036)	57,500	(34,259)	-	(34,259)	-	27,300
Local Governmental Entities	-	-	(1,444)	-	(1,444)	-	(1,411)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	310,052	343,235	(33,183)	12,865	(46,048)	357.9	34,299
Total Nongovernmental	**883,107**	**1,187,481**	**7,809,447**	**4,964,487**	**2,844,960**	**57.3**	**6,703,201**
Total Disbursements	**$ 18,504,487**	**$ 19,956,421**	**$ 242,914,877**	**$ 243,598,987**	**$ (684,110)**	**(0.3)**	**$ 214,058,105**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ -	$ -	$ -	-	$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ -**

See notes on page B1 and B2.

August 2026

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

MALIA M. COHEN
California State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

September 10, 2026

Dear Users of the Statement of General Fund Cash Receipts and Disbursements:

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2026, through August 31, 2026. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2026-27 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

As noted in the statement, the state began the fiscal year with a $49.8 billion General Fund cash balance and ended August with a balance of $27.4 billion. As of August 31, California had $86.5 billion in unused borrowable resources and fiscal year-to-date receipts exceeded estimates contained in the 2026-27 Budget Act by approximately $2.7 billion, or 10.5 percent. Disbursements for the fiscal year through August were $3.0 billion, or 6.3 percent higher than anticipated in the 2026-27 Budget Act.

The State Controller's Office borrows from special funds outside of the General Fund for short-term only cash flow purposes to manage the timing of revenues and expenditures and ensures that this daily and monthly borrowing does not affect the operations of the special funds. The Controller cautions against the use of special fund borrowing for budgetary purposes as it may increase future debts and deplete reserves, limiting the state's ability in an economic downturn to avoid harsh spending cuts.

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2026-27 fiscal year to cash flow estimates prepared by the DOF based upon the 2026-27 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov.

Please direct any questions relating to this report to Ted Lambert, Division Chief, State Accounting and Reporting Division, at (916) 203-6774.

Sincerely,

Original Signed By

Malia M. Cohen

300 Capitol Mall, Suite 1850, Sacramento, CA 95814 | P.O. Box 942850, Sacramento, CA 94250 | Fax: 916.322.4404
sco.ca.gov

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2026-27 Budget Act

(Amounts in thousands)

	July 1 through August 31				
	2026				2025
	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	**$ 49,772,229**	**$ 49,772,229**	**$ -**	**-**	**$ 33,816,189**
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	27,852,252	25,473,859	2,378,393	9.3	26,333,599
Nonrevenues	390,295	78,377	311,918	398.0	7,301,085
Total Receipts	28,242,547	25,552,236	2,690,311	10.5	33,634,684
Less Disbursements (c):					
State Operations	13,283,427	10,290,404	2,993,023	29.1	8,522,604
Local Assistance	36,078,892	34,102,708	1,976,184	5.8	34,935,771
Capital Outlay	67,672	80,066	(12,394)	(15.5)	98,871
Nongovernmental	1,206,284	3,149,456	(1,943,172)	(61.7)	362,877
Total Disbursements	50,636,276	47,622,634	3,013,642	6.3	43,920,123
Receipts Over / (Under) Disbursements	(22,393,729)	(22,070,398)	(323,331)	(1.5)	(10,285,439)
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	27,378,500	27,701,831	(323,331)	(1.2)	23,530,750
Special Fund for Economic Uncertainties	4,511,182	4,511,770	(588)	(0.0)	3,828,766
TOTAL CASH	**$ 31,889,682**	**$ 32,213,601**	**$ (323,919)**	**(1.0)**	**$ 27,359,516**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 4,511,182	$ 4,511,770	$ (588)	(0.0)	$ 3,828,766
Budget Stabilization Account	11,191,422	11,191,422	-	-	17,326,422
Other Internal Sources (f)	71,840,159	77,849,665	(6,009,506)	(7.7)	86,473,667
Cash Balance from Borrowable Resources	87,542,763	93,552,857	(6,010,094)	(6.4)	107,628,855
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	235,476	260,000	(24,524)	(9.4)	418,402
SMIF Loans (SB 84, GC 20825)	800,071	800,071	-	-	2,345,617
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	-
Total Available Borrowable Resources (e)	86,507,216	92,492,786	(5,985,570)	(6.5)	104,864,836
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 86,507,216	$ 92,492,786	$ (5,985,570)	(6.5)	$ 104,864,836

General Note:

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2026-27 fiscal year was prepared by the Department of Finance for the 2026-27 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.0 billion is comprised of internal borrowing. Current balance is comprised of $0.0 billion carried forward from June 30, 2024, plus current year Net Increase/(Decrease) in Temporary Loans of $0.0 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)

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

(Continued on A2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of August		July 1 through August 31				
			2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
REVENUES							
Alcoholic Beverage Excise Taxes	$ 26,211	$ 29,877	$ 87,192	$ 74,855	$ 12,337	16.5	$ 79,422
Corporation Tax	330,600	325,781	1,913,940	1,322,378	591,562	44.7	1,329,726
Cigarette Tax	3,744	3,544	6,527	6,096	431	7.1	6,587
Estate, Inheritance, and Gift Tax	-	-	-	-	-	-	14
Insurance Companies Tax	749,547	673,927	835,657	556,579	279,078	50.1	780,747
Personal Income Tax	9,927,523	8,894,186	18,876,896	17,321,595	1,555,301	9.0	17,515,760
Retail Sales and Use Taxes	4,138,273	4,053,227	5,690,725	5,584,593	106,132	1.9	5,442,242
Vehicle License Fees	1	-	1	-	1	-	-
Pooled Money Investment Interest	68,118	236,639	63,637	447,686	(384,049)	(85.8)	546,105
Not Otherwise Classified	213,218	416,680	377,677	160,077	217,600	135.9	632,996
Total Revenues	**15,457,235**	**14,633,861**	**27,852,252**	**25,473,859**	**2,378,393**	**9.3**	**26,333,599**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	622	-	622	-	622	-	-
Transfers from Other Funds	8,102	70,248	45,266	21,300	23,966	112.5	7,177,296
Miscellaneous	6,927	79,685	344,407	57,077	287,330	503.4	123,789
Total Nonrevenues	**15,651**	**149,933**	**390,295**	**78,377**	**311,918**	**398.0**	**7,301,085**
Total Receipts	**$ 15,472,886**	**$ 14,783,794**	**$ 28,242,547**	**$ 25,552,236**	**$ 2,690,311**	**10.5**	**$ 33,634,684**

(Continued from A1)

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

(f) Other Internal Sources balance includes $900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $10.8 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of August		July 1 through August 31				
			2026				2025
	2026	2025	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 345,569	$ 318,752	$ 1,052,953	$ 569,264	$ 483,689	85.0	$ 713,403
Business and Consumer Services	22,527	10,347	22,778	2,616	20,162	770.7	17,562
Housing and Homelessness	12,510	-	22,320	21,282	1,038	4.9	-
Transportation	1,129	14,257	1,344	14,578	(13,234)	(90.8)	18,809
Resources	423,550	496,024	902,930	521,582	381,348	73.1	1,023,966
Environmental Protection Agency	10,071	9,814	19,684	19,348	336	1.7	28,523
Health and Human Services:							
Health Care Services and Public Health	11,176	67,140	163,334	135,564	27,770	20.5	232,993
Department of State Hospitals	204,868	208,682	451,832	408,984	42,848	10.5	437,960
Other Health and Human Services	135,753	119,050	319,356	180,258	139,098	77.2	254,087
Education:							
University of California	434,077	388,705	886,867	843,542	43,325	5.1	873,755
State Universities and Colleges	910,192	402,669	910,256	910,831	(575)	(0.1)	810,584
Other Education	56,415	52,386	81,129	74,252	6,877	9.3	83,686
Dept. of Corrections and Rehabilitation	1,259,554	1,262,567	2,468,722	2,520,067	(51,345)	(2.0)	2,461,548
Governmental Operations	428,727	249,965	3,717,176	3,331,612	385,564	11.6	987,678
General Government	322,074	403,186	792,015	997,530	(205,515)	(20.6)	804,457
Public Employees' Retirement System	(390,108)	(391,208)	397,726	(745,482)	1,143,208	153.4	(779,682)
Debt Service (d)	1,077,631	634,893	1,073,005	484,576	588,429	(121.4)	553,275
Interest on Loans	-	-	-	-	-	-	-
Total State Operations	**5,265,717**	**4,247,229**	**13,283,427**	**10,290,404**	**2,993,023**	**29.1**	**8,522,604**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	5,583,801	3,523,046	8,803,549	6,946,281	1,857,268	26.7	7,172,243
Community Colleges	488,936	420,469	1,846,908	2,128,180	(281,272)	(13.2)	1,569,539
State Teachers' Retirement System	-	-	934,380	934,381	(1)	(0.0)	905,305
Other Education	192,589	563,986	241,400	843,841	(602,441)	(71.4)	782,223
Dept. of Corrections and Rehabilitation	111,868	109,501	115,344	145,660	(30,316)	(20.8)	118,285
Health Care Services and Public Health:							
Medical Assistance Program	3,961,762	4,140,584	9,378,632	12,388,292	(3,009,660)	(24.3)	12,449,376
Other Health Care Services/Public Health	70,966	49,316	145,430	166,411	(20,981)	(12.6)	118,142
Developmental Services - Regional Centers	959,749	1,181,309	3,712,102	3,152,277	559,825	17.8	3,107,468
Dept. of Social Services:							
SSI/SSP/IHSS	2,555,921	1,917,584	6,380,194	3,229,138	3,151,056	97.6	4,103,044
CalWORKs	506,922	453,080	1,732,469	1,900,113	(167,644)	(8.8)	1,752,548
Other Social Services	149,701	337,046	534,565	552,940	(18,375)	(3.3)	500,006
Tax Relief	-	-	-	-	-	-	3,000
Other Local Assistance	1,171,770	1,225,703	2,253,920	1,715,194	538,726	31.4	2,354,592
Total Local Assistance	**15,753,986**	**13,921,624**	**36,078,892**	**34,102,708**	**1,976,184**	**5.8**	**34,935,771**

See notes on page A1 and A2.

(Continued)

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

	Month of August		July 1 through August 31				
			2026				2025
					Actual Over or (Under) Estimate		
	2026	2025	Actual	Estimate (a)	Amount	%	Actual
CAPITAL OUTLAY (c)	**43,948**	**36,431**	**67,672**	**80,066**	**(12,394)**	**(15.5)**	**98,871**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	-	-	-	-	-
Transfer to Budget Stabilization Account	-	-	-	-	-	-	-
Transfers to Other Funds	49,135	152,318	1,461,054	7,749,300	(6,288,246)	(81.1)	761,874
Transfer to Revolving Fund	2,770	19,269	44,783	-	44,783	-	25,738
Advance:							
MediCal Provider Interim Payment	-	-	-	(4,289,792)	4,289,792	100.0	-
State-County Property Tax Administration Program	-	-	-	-	-	-	-
Social Welfare Federal Fund	10,500	-	10,500	-	10,500	-	(81,500)
Local Governmental Entities	(1)	-	(1)	-	(1)	-	-
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(310,052)	(310,052)	-	-	(343,235)
Total Nongovernmental	**62,404**	**171,587**	**1,206,284**	**3,149,456**	**(1,943,172)**	61.7	**362,877**
Total Disbursements	**$ 21,126,055**	**$ 18,376,871**	**$ 50,636,276**	**$ 47,622,634**	**$ 3,013,642**	**6.3**	**$ 43,920,123**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ -	$ -	$ -	-	$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ -**

See notes on page A1 and A2.

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

	July 1 through August 31			
	General Fund		Special Funds	
	2026	2025	2026	2025
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 87,192	$ 79,422	$ -	$ (1)
Corporation Tax	1,913,940	1,329,726	-	-
Cigarette Tax	6,527	6,587	382,767	210,945
Cannabis Excise Taxes	-	-	241,917	121,332
Estate, Inheritance, and Gift Tax	-	14	-	-
Insurance Companies Tax	835,657	780,747	-	1
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	2,708,298	1,352,046
Diesel & Liquid Petroleum Gas	-	-	459,400	240,720
Jet Fuel Tax	-	-	1,471	826
Vehicle License Fees	1	-	1,199,020	592,454
Personal Income Tax	18,876,896	17,515,760	-	317,289
Retail Sales and Use Taxes	5,690,725	5,442,242	-	2,988,082
Pooled Money Investment Interest	63,637	546,105	1,982,505	1,216
Total Major Taxes, Licenses, and Investment Income	**27,474,575**	**25,700,603**	**6,975,378**	**5,824,910**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	500	757		17,940
Motor Vehicle Registration and Other Fees	-	-	76,901	1,472,158
Cannabis Licensing Fees	-	-	8,015	5,019
Electrical Energy Tax	-	-	462,710	245,149
Private Rail Car Tax	(4)	5	-	-
Penalties on Traffic Violations	-	-	-	-
Health Care Receipts	1,191	301	1,992,443	-
Revenues from State Lands	8,870	1,900	10,000	-
Abandoned Property	228,205	127,230	582,252	-
Trial Court Revenues	26,820	5,034	71,153,082	166,408
Horse Racing Fees	-	-	11,591	4,661
Cap and Trade	-	-	-	-
Individual Shared Responsibility Penalty Assessments	10,853	-	169,054	25,789
Miscellaneous Tax Revenue		-	6,353,885	3,175,978
Cost Recoveries	43,244	-	20,893	-
Miscellaneous	57,998	497,769	42,783,499	3,664,612
Not Otherwise Classified	**377,677**	**632,996**	**123,624,325**	**8,777,714**
Total Revenues, All Governmental Cost Funds	**$ 27,852,252**	**$ 26,333,599**	**$ 130,599,703**	**$ 14,602,624**

APPENDIX B

THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1 through 10 of this Appendix B regarding DTC's Book Entry System has been provided by DTC for use in securities offering documents, and the State takes no responsibility for the accuracy or completeness thereof. The State cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), will act as securities depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Construction Bonds and the Refunding Bonds, respectively, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any such maturity exceeds $500 million, one Bond certificate will be issued with respect to each $500 million of principal amount, and an additional Bond certificate will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC

Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State Treasurer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State Treasurer, on the payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the State Treasurer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State Treasurer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State Treasurer. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be. The State Treasurer will not have any responsibility or obligation to Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Bonds.

THE STATE TREASURER, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES FOR OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OF THE BONDS (OTHER

THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The State Treasurer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). If the State Treasurer determines not to continue the DTC book-entry only system, or DTC discontinues providing its services with respect to the Bonds and the State Treasurer does not select another qualified securities depository, the State will deliver physical Bond certificates to the Beneficial Owners. The Bonds may thereafter be transferred upon the books of the State Treasurer by the registered owners, in person or by authorized attorney, upon surrender of Bonds at the Office of the State Treasurer in Sacramento, California, accompanied by delivery of an executed instrument of transfer in a form approved by the State Treasurer and upon payment of any charges provided for in the Resolutions. Certificated bonds may be exchanged for Bonds of other authorized denominations of the same aggregate principal amount and maturity at the Office of the State Treasurer in Sacramento, California, upon payment of any charges provided for in the Resolutions. No transfer or exchange of Bonds will be made by the State Treasurer during the period between the record date and the next interest payment date.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered as of October __, 2026 by the Treasurer of the State of California (the "State Treasurer") in connection with the issuance of $_____ aggregate principal amount of the State of California Various Purpose General Obligation Bonds and $_____ aggregate principal amount of the State of California Various Purpose General Obligation Refunding Bonds (collectively, the "Bonds") as authorized by the related general obligation bond acts approved by the voters of the State of California (the "State") and identified in the Official Statement (defined below) (the "Acts"). The Bonds are being issued pursuant to resolutions of finance committees (the "Resolutions") designated under the Acts. Pursuant to the Resolutions, the State Treasurer, on behalf of the State, covenants and agrees as follows:

Section 1. Nature of the Disclosure Certificate. This Disclosure Certificate is executed and delivered for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below), but shall not be deemed to create any monetary liability on the part of the State or the State Treasurer to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the State Treasurer to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

Section 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the State Treasurer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the State Treasurer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the State Treasurer and which has filed with the State Treasurer a written acceptance of such designation.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holder" shall mean any person listed on the registration books of the State Treasurer as the registered owner of any Bonds.

"Listed Event" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports or notices pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the official statement relating to the Bonds, dated October __, 2026.

"Participating Underwriter" shall mean any of the underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

Section 3. Provision of Annual Reports; Additional Information.

(a) The State Treasurer on behalf of the State shall, or shall cause the Dissemination Agent to, not later than April 1 of each year in which the Bonds are outstanding, commencing with the report for the 2025-26 fiscal year (which is due not later than April 1, 2027), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date in accordance with Section 4(a). If the State's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the State Treasurer shall provide the Annual Report to the Dissemination Agent (if other than the State Treasurer). If the State Treasurer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the State Treasurer shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the State Treasurer) file a report with the State Treasurer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited Basic Financial Statements of the State for the fiscal year ended on the previous June 30, prepared in accordance with generally accepted accounting principles promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.[1]

(b) Financial information relating to the State's General Fund budget for the fiscal year ended on the previous June 30 and information concerning the State budget for the fiscal year in which the Annual Report is issued. Such information shall describe the sources of revenues, the principal categories of expenditures, and changes in fund balances, a summary of expected State revenues and budgeted expenditures, and significant assumptions relating to revenue and expenditure expectations; including updating information of the type appearing in the following tables contained under the caption APPENDIX A—"THE STATE OF CALIFORNIA—CURRENT STATE BUDGET" in the Official Statement:

Tables Entitled

General Fund Beginning Balance, Revenues, Expenditures, and Ending Fund Balance by Fiscal Year — Budgetary-Legal Basis

General Fund Revenues by Source, and General Fund Expenditures by Agency

(c) Information concerning the total amount of the State's authorized and outstanding debt, long-term lease obligations and other long-term liabilities as of the most recent June 30, which debt is supported by payments from the State's General Fund and which includes short-term debt. Such information shall include schedules of debt service for outstanding general obligation bonds and lease-purchase debt. This shall be accomplished by updating information of the type appearing in the following tables contained under the caption APPENDIX A—"THE STATE OF CALIFORNIA— STATE DEBT TABLES" in the Official Statement.

Tables Entitled

Outstanding State Debt

[1] The State's audited financial statements for the last several fiscal years have been delayed past April 1 of the following fiscal year. The effect of such delays may impact the ability of the State to provide audited or unaudited financial statements by April 1 for one or more subsequent fiscal years. For further discussion, see "FINANCIAL STATEMENTS" and APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS" in the Official Statement (which is not incorporated herein by this reference), available on Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

Authorized and Outstanding General Obligation Bonds

General Obligation and Lease-Revenue Bonds Summary of Debt Service Requirements

Schedule of Debt Service Requirements for General Fund Non-Self Liquidating Bonds Fixed Rate

Schedule of Debt Service Requirements for General Fund Non-Self Liquidating Bonds Variable Rate

Schedule of Debt Service Requirements for Enterprise Fund Self Liquidating Bonds Fixed Rate

Schedule of Debt Service Requirements for Lease-Revenue Debt Fixed Rate

State Public Works Board Outstanding Issues

Notwithstanding the foregoing, information referenced in this Section 4(c) will no longer be updated for any twelve-month period ended June 30 that commences after all of the debt, long-term lease obligations, other long-term liabilities and/or short-term debt referenced in the respective table, as applicable, is no longer outstanding.

(d) Financial information relating to the State referenced in section 4(b) and 4(c) may be updated from time to time, and such updates may involve displaying data in a different format or table or eliminating data that is no longer available.

(e) The Annual Report may consist of one or more documents. Any or all of the items listed above may be included in the Annual Report by reference to other documents that have been filed by the State with the MSRB, including any final official statement (in which case such final official statement must also be available from the MSRB). The State Treasurer shall clearly identify in the Annual Report each such document so included by reference.

Section 5. Reporting of Significant Events.

(a) The State Treasurer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The State Treasurer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the State, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect Holders.

(c) The State Treasurer notes that Sections 5(a)(2), (3) and (4) and 5(b)(4) are not applicable to the Bonds.

(d) Any notice required to be given pursuant to subsection (a) or (b) above shall be filed with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notice of the Listed Event described in subsection (b)(3) above need not be given under this subsection any earlier than the notice of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

Section 6. Termination of Reporting Obligation. The State's obligations under Sections 3, 4 and 5 of this Disclosure Certificate shall terminate with respect to any Bonds upon the maturity, legal defeasance, prior redemption or acceleration of such Bonds.

Section 7. Dissemination Agent. The State Treasurer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State Treasurer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the State Treasurer shall be the Dissemination Agent. The initial Dissemination Agent shall be the State Treasurer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State Treasurer may amend any provision of this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a), 5(b) or 5(d), 8(a), 8(b) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel) or 8(c) (excluding both the percentage of Holders required for approval and the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of 60 percent of the Bonds outstanding or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds. The State also may amend this Disclosure Certificate without approval by the Holders to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the State Treasurer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State Treasurer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State Treasurer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the State Treasurer shall not have any obligation under this Disclosure Certificate to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the State or State Treasurer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State or State Treasurer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event

of any failure of the State or State Treasurer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Dissemination Agent or any Holder or Beneficial Owner to enforce the provisions of this Disclosure Certificate on behalf of the Holders). This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 12. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the State Treasurer shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Holders of the Bonds shall retain all the benefits afforded to them hereunder. The State Treasurer hereby declares that she would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 13. Governing Law. The laws of the State shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any courts of the State located in Sacramento County, California.

IN WITNESS WHEREOF, the State Treasurer has executed this Disclosure Certificate as of the date first above written.

By: _____
Deputy Treasurer
For California State Treasurer Fiona Ma

CONTINUING DISCLOSURE EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	STATE OF CALIFORNIA
Name of Bond Issue:	STATE OF CALIFORNIA Various Purpose General Obligation Bonds Various Purpose General Obligation Refunding Bonds
Date of Issuance:	October __, 2026

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the Issuer, dated the Date of Issuance. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

STATE OF CALIFORNIA

By: [to be signed only if filed]

APPENDIX D

PROPOSED FORMS OF LEGAL OPINIONS

FORM OF FINAL OPINION OF BOND COUNSEL

[Closing Date]

The Honorable Fiona Ma
State Treasurer
Sacramento, California

$_____
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

$_____
VARIOUS PURPOSE
GENERAL OBLIGATION BONDS

$_____
VARIOUS PURPOSE
GENERAL OBLIGATION REFUNDING BONDS

(Final Opinion)

We have acted as bond counsel to the State of California (the "State") in connection with the issuance by the State of (i) $_____ aggregate principal amount of State of California Various Purpose General Obligation Bonds and (ii) $_____ aggregate principal amount of State of California Various Purpose General Obligation Refunding Bonds (collectively, the "Bonds"). All the bond acts under which the Bonds are issued are identified in Schedule A hereto, which is incorporated by reference. The Bonds are authorized pursuant to the respective bond acts identified in Schedule A (collectively, the "Laws") and are issued pursuant to Chapter 4 of Part 3 of Division 4 of Title 2 of the California Government Code and pursuant to resolutions (the "Resolutions") adopted by the respective finance committees designated under the Laws. The Bonds comprise the separate series of Bonds identified on Schedule A.

In such connection, we have reviewed the Resolutions; the tax certificate of the State relating to the Bonds, dated the date hereof (the "Tax Certificate"); opinions of counsel to the State; other certifications of officials of the State; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than the State. We have assumed, without undertaking to verify, the accuracy of the

factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Resolutions and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Preliminary Official Statement, dated September 28, 2026 and the Official Statement, dated October __, 2026, or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, as of the date hereof, we are of the following opinions:

1. The State has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding general obligations of the State payable in accordance with the Laws from the General Fund of the State. The full faith and credit of the State is pledged to the punctual payment of the principal of and interest on the Bonds as the principal and interest become due and payable.

2. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

Schedule A

$_____
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT

$_____

STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT

FORM OF OPINION OF THE ATTORNEY GENERAL

[Closing Date]

The Honorable Fiona Ma
State Treasurer
Sacramento, California

$_____
STATE OF CALIFORNIA
Various Purpose General Obligation Bonds

$_____
STATE OF CALIFORNIA
Various Purpose General Obligation Refunding Bonds

The Honorable Fiona Ma:

We have acted as counsel to the State of California (the "State") in connection with the issuance by the State of (i) $_____ aggregate principal amount of State of California Various Purpose General Obligation Bonds and (ii) $_____ aggregate principal amount of State of California Various Purpose General Obligation Refunding Bonds (collectively, the "Bonds"). The Bonds are all dated [Closing Date], and are issued as separate series as identified in Schedule A hereto, which is incorporated by reference. The Bonds are authorized pursuant to the respective bond acts identified in Schedule A (collectively, the "Laws") and are issued pursuant to Chapter 4 of Part 3 of Division 4 of Title 2 of the California Government Code and the resolutions (the "Resolutions") adopted by the respective finance committees designated under the Laws.

In such connection, we have examined the record of proceedings submitted to us relative to the issuance of the Bonds, including the Resolutions, certifications of officials of the State, and such other documents and matters deemed necessary by us to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently and have assumed the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and we disclaim any obligation to update this letter. We have neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us, the conformity to original documents and certificates of all documents and certificates submitted to us as copies, and the authenticity of the originals of such latter documents and certificates. Furthermore, we have assumed compliance with the agreements and covenants contained in the Resolutions.

We call attention to the fact that the rights and obligations under the Bonds and the Resolutions and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in state law regarding legal remedies against the State. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the foregoing documents. We express no opinion as to whether interest on the Bonds is excluded from gross income for federal income tax purposes or exempt from state personal income taxes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Preliminary Official Statement, dated September 28, 2026, or the Official Statement, dated October __, 2026, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the State has lawful authority for the issuance of the Bonds, and the Bonds constitute the valid and binding general obligations of the State payable in accordance with the Laws from the General Fund of the State. The full faith and credit of the State is pledged to the punctual payment of the principal of and interest on the Bonds, as the principal and interest become due and payable.

Sincerely,

Deputy Attorney General

For ROB BONTA
Attorney General

Schedule A

$_____
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT

$_____

STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT

APPENDIX E

LETTERS FROM CERTAIN UNDERWRITERS

BofA SECURITIES

September 10, 2026

State of California
Office of the State Treasurer

Attn: Blake Fowler

Re: State of California Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds (the "Bonds")

Dear Mr. Fowler:

BofA Securities, Inc. is providing the following language for inclusion in the Official Statement:

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Sincerely,

BofA Securities, Inc.

"BofA Securities" is the marketing name for the global banking and global markets businesses of Bank of America Corporation. Lending, derivatives, and other commercial banking activities are performed globally by banking affiliates of Bank of America Corporation, including Bank of America, N.A., Member FDIC. Securities, strategic advisory, and other investment banking activities are performed globally by investment banking affiliates of Bank of America Corporation ("Investment Banking Affiliates"), including, in the United States, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corp., both of which are registered broker-dealers and Members of SIPC, and, in other jurisdictions, by locally registered entities. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corp. are registered as futures commission merchants with the CFTC and are members of the NFA. Investment products offered by Investment Banking Affiliates: Are Not FDIC Insured * May Lose Value * Are Not Bank Guaranteed.

September 16, 2026

State of California
Office of the State Treasurer

Attn: Blake Fowler

Re: State of California General Obligation Bond Sale (October 2026), (the “Bonds”)

Dear Blake Fowler:

Fidelity Capital Markets, a division of National Financial Services LLC is providing the following language for inclusion in the Official Statement:

Fidelity Capital Markets, a division of National Financial Services LLC, an underwriter of the Bonds, has entered into an agreement with our affiliate broker dealer, Fidelity Brokerage Services LLC (“FBS”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to this agreement, we may compensate FBS for any bonds sold via the FBS distribution channels to its customers.

Sincerely,

Fidelity Capital Markets, a division of National Financial Services LLC

J.P.Morgan

September 15, 2026

State Treasurer's Office – Public Finance Division
915 Capitol Mall, Suite 460
Sacramento, CA 95814

Blake Fowler
Director, Public Finance Division

Re: State of California
Various Purpose General Obligation Bonds
October 2026 Sale

Dear Mr. Fowler:

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

J.P. MORGAN SECURITIES LLC

Morgan Stanley

September 15, 2026

Attn: Blake Fowler
California State Treasurer's Office

Re: State of California General Obligation Bonds (October 2026) (the "Bonds")

Dear Blake:

Morgan Stanley & Co. LLC is providing the following language for inclusion in the Official Statement:

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Thank you,
Morgan Stanley & Co. LLC

RBC Capital Markets, LLC
555 South Flower Street, Suite 820
Los Angeles, California 90071
Phone: (213) 362-4126
Fax: (213) 362-4110

September 15, 2026

Mr. Blake Fowler, Director of Public Finance
Office of the Treasurer of the State of California
Sacramento, CA 95814

Re: State of California Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds (Tax-Exempt), October 2026 Sale ("Bonds")

Dear Mr. Fowler:

RBC Capital Markets is providing the following language for inclusion in the Official Statement.

RBCCM has entered into a distribution arrangement with its affiliate RBC Securities, Inc. (RBC Securities) (formerly known as City National Securities, Inc). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

Sincerely,

RBC Capital Markets, LLC

Michael Engelbrecht, *Managing Director*
Email: michael.j.engelbrecht@wellsfargo.com
Tel: (213) 253-7219

Corporate & Investment Banking
Public Finance
MAC E2856-045
2141 Rosecrans Ave., 4th Floor
El Segundo, CA 90245

September 21, 2026

Blake Fowler
Director, Public Finance Division
State Treasurer's Office of the State of California
915 Capitol Mall, Room 261
Sacramento, CA 95814

Re: State of California
Various Purpose General Obligation & General Obligation Refunding Bonds Tax-Exempt, October 2026

Dear Blake,

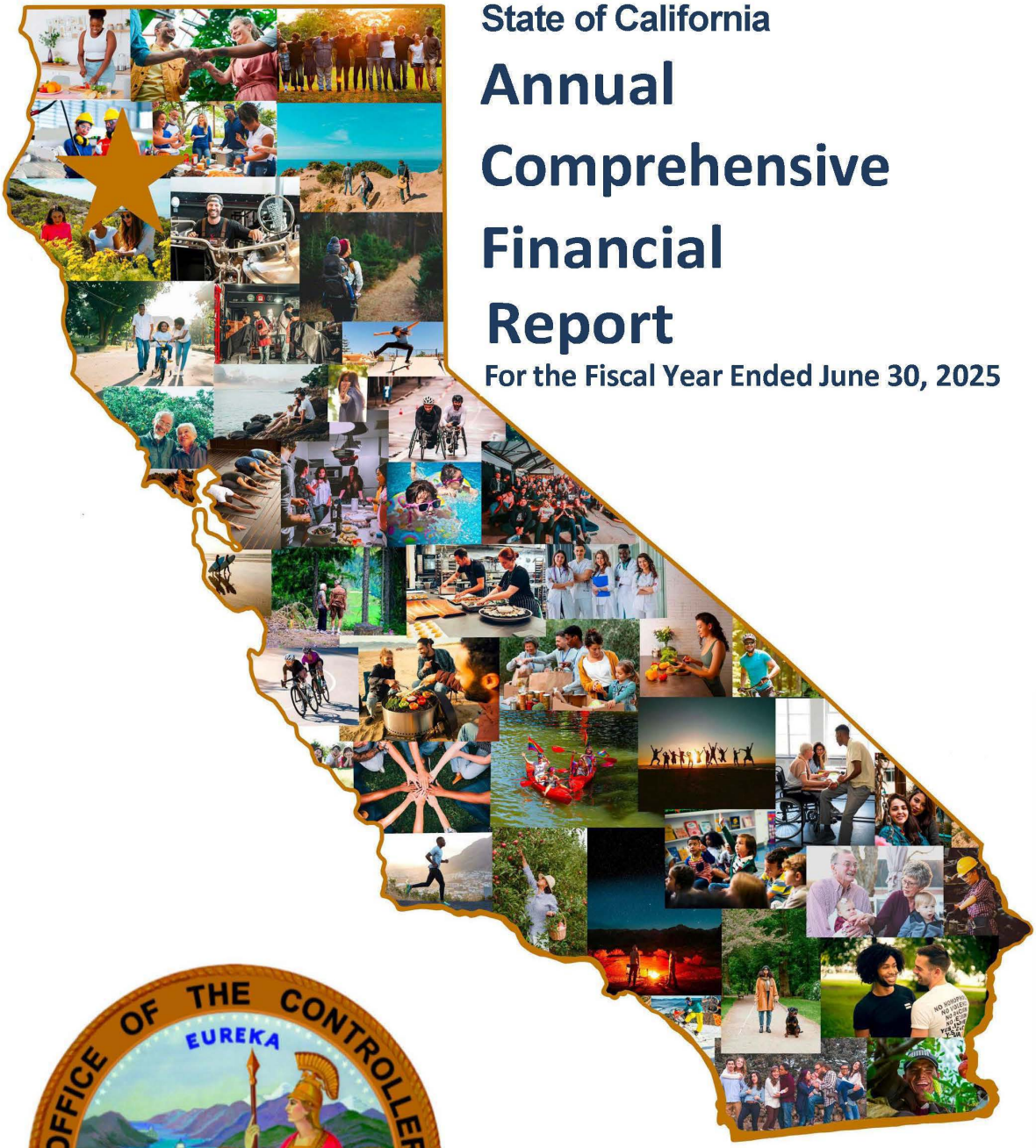
Wells Fargo Corporate & Investment Banking is providing the following language for inclusion in the Official Statement.

Wells Fargo Bank, National Association ("WFBNA"), acting through its Municipal Finance Group, an Underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as "CIB," "Wells Fargo Securities" or "WFS") is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

APPENDIX F

STATE OF CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025



State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

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

May 12, 2026

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

As California's Chief Fiscal Officer, I am pleased to submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. The State Controller's Office (SCO) is tasked with ensuring the accurate accounting of California's finances. For more than three years, the SCO has dedicated significant time and resources toward returning the ACFR publication to its Spring target date which, until now, was last achieved in 2018. Timely publication of the fiscal year 24-25 ACFR is the capstone of ongoing engagement with reporting entities, increased efficiencies through leveraging technology, and accelerated key milestones that historically delayed publication.

This year's report was accelerated to completion just eight months after the previous ACFR – the fastest turnaround time on record. In addition, as a result of ongoing efforts to improve accuracy of financial reporting, I am proud to report that for the first time since 2019, the State has received an unmodified auditor's opinion, meaning the financial statements are fairly presented and are reliable. This ACFR demonstrates that California is making measurable progress in financial accountability and reporting—reducing delays, resolving repeat findings, and restoring timely audited financial reporting for the fourth largest economy in the world.

This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with Generally Accepted Accounting Principles (GAAP) and contains information to help readers gain a reasonable understanding of California's financial activities and condition. The ACFR provides a detailed and transparent account of the State's long-term obligations, capital assets, revenues, expenditures, and overall fiscal performance. As a resource, it reflects California's strong financial stewardship, reliable accounting, and financial transparency.

Our unprecedented "Team California" partnership was essential to the production of a financial report of this magnitude. The "Team California" partners included the Governor and his administration – in particular the Department of Finance, the state agencies and departments, and the Legislature who collaborated to meet the requirements of an audit performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) as conducted by the California State Auditor's Office. To illustrate the scale of the State's financial reporting structure and the noteworthy accomplishment of this year's financial statements, the numbers below reflect the enormity of the fiscal year 2024-25 ACFR.

- $595.5 billion in revenues reported by the primary government and component units
- $582.5 billion in expenses reported by the primary government and component units
- $1.2 trillion in fiduciary assets held in trust by the State of California
- 201 state agencies, departments, boards, and commissions

300 Capitol Mall, Suite 1850, Sacramento, CA 95814 | P.O. Box 942850, Sacramento, CA 94250 | Fax: 916.322.4404
sco.ca.gov

- 1,780 fund financial statement packages from departments
- 37 independent audit reports including the University of California, the California State University, California Public Employees Retirement System, and California State Teachers Retirement System.
- 13,650 journal entry lines

While there is no statutory deadline for publishing the ACFR, its timely and accurate completion satisfies several compliance requirements for the State and provides numerous benefits to California residents, taxpayers, creditors, and bondholders. Credit rating agencies closely evaluate the timeliness and quality of a government's financial reporting when assessing creditworthiness, and a higher credit rating directly benefits taxpayers by lowering the State's cost of borrowing for major infrastructure projects. If long-term interest costs are reduced, the State of California may direct more taxpayer dollars toward essential services, capital improvements, and long-term community investments rather than servicing debt.

Our progress does not stop here. In addition to an accurate and on-time ACFR, my office has launched several initiatives that are transforming the future of California's financial management and transparency with intentionality. These efforts include the following initiatives:

- **Book of Record Migration into FI$Cal** – Migrating the State's accounting and reporting book of record from an aging legacy mainframe system to the Financial Information System for California (FI$Cal).
- **Modernizing California's State Payroll System** – Modernizing California's payroll system from an aging legacy mainframe core human resources and payroll system to an integrated solution for the State of California.
- **Chief Financial Officer Academy** – Launching recurring financial forums later this calendar year and an annual Chief Financial Officer Public Finance Academy in the future. These forums and academy will shape the future of financial reporting in the State of California and aim to provide critical finance related education and updates, highlight emerging trends, deliver targeted training, and promote leading practices across the State government enterprise. This convening of senior finance leaders and industry experts to explore innovations and shape the future of public finance in California is similar to the State's successful Chief Information Officer Academy.

In closing, I would like to acknowledge "Team California" for every action taken and investment made in this milestone achievement. First, to the Governor and Legislature, thank you for ensuring that the SCO had the resources needed to return to accurate and on-time reporting. Second, to the Department of Finance, our 201 state agencies and departments, and our independent California State Auditor, thank you for fulfilling your respective roles in achieving this ACFR publication. And lastly, to the SCO State Accounting and Reporting team, thank you for your dedication and unwavering commitment to producing this complex financial report and realizing our goal of returning to accurate and timely ACFR reporting.

We continue to move California forward through fiscal oversight and transparency!

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, 2025

Prepared by the office of

MALIA M. COHEN
California State Controller

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Introductory Section

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Report Overview

General Overview

The State's management assumes responsibility for the accuracy, completeness, and fairness of information presented in the Annual Comprehensive Financial Report (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 an unmodified opinion on the State's basic financial statements for the year ended June 30, 2025, 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.

The State of California is also 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, 2025, and its economic performance as of December 31, 2025, for the year ending June 30, 2026. 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 2025, is estimated to be approximately 40 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; transitional kindergarten through 12th grade (TK-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 the related organizations 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 3, 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 13.8% of the U.S. Gross Domestic Product (GDP) in 2025 and at the end of the year kept the rank of the fourth largest in the world (in terms of GDP). Sectors of California's diverse economy include technology, trade, entertainment, manufacturing, agriculture, government, tourism, construction, education, and healthcare and services. Significant recent growth within the technology sector is due to investments and spending related to artificial intelligence, which has supported both economic activity and state revenue. California's GDP totaled $4.2 trillion at fiscal year-end, representing a 3.3% increase during the fiscal year, which was less than the United States' GDP increase of 5.1%. In 2025, California exported $188.4 billion in goods to approximately 227 foreign economies, a 2.78 % increase from the 2024 total of $183.3 billion in exported goods. Despite uncertainty around the 2025 tariffs, California remained a top exporting state through the end of the year, accounting for roughly 9.1% of all U.S. goods exports and maintaining its rank as the second-largest exporting state in the nation. Conditions in the labor market showed slight weakening, as California's unemployment rate rose to 5.4% by June 2025. The state added 98,000 non-farm jobs overall; private education and health services added a combined 160,000 jobs, while several other job categories declined. The housing market faced persistent challenges from high home prices and elevated mortgage rates, which averaged 6.82% in June 2025. Personal income for Californians increased by 5.5%, exceeding the national growth rate of 5.1%. Consumer trends were mixed, but new vehicle registration surged by 6.6% in the first half of 2025 as buyers rushed to purchase vehicles before the anticipated tariff-related price increases took effect. Wildfires in the Los Angeles region in January 2025 caused major economic disruption, with an unprecedented economic loss of more than $250.0 billion and destruction of an estimated 16,000 structures. Despite long-term income growth, the ongoing inflationary pressures and uncertainty regarding federal trade and immigration policies continue to pose significant risks to the State's economy.

Budget Outlook

Fiscal Year 2025-26

The State's enacted fiscal year 2025-26 Budget took steps to set California on a fiscally responsible long-term path, after the State experienced troublesome delays in General Fund cash receipts during fiscal year 2024-25. Enacted in June 2025, the California 2025-26 Budget Act authorized $321.1 billion in total appropriations, allocating $228.4 billion to the General Fund. While General Fund expenditures were initially budgeted to decrease by 2.2% from previous year, the State faced significant fiscal challenges that required immediate corrective actions to maintain a balanced fiscal plan. The General Fund shortfall of $11.8 billion was driven by implementation of broad-based federal tariffs and a substantial spending increase in Medi-Cal programs. The Budget aims to close this gap by leveraging reserves and reducing expenditure growth of critical state programs while maintaining funding for multiple initiatives that continue to improve the lives of Californians. The State implemented $2.8 billion in spending reductions, such as cuts to health care center payments and pharmacy drug rebates. Additional solutions included $7.8 billion in new revenue sources and borrowing and a $7.1 billion drawdown from the Budget Stabilization Account (BSA), also known as the "Rainy Day Fund."

Fiscal Year 2026-27

The Governor's Budget for the 2026-27 year, released in January 2026, reflects a significantly improved revenue outlook compared to previous estimates, though it remains tempered by a projected shortfall and substantial long-term risks.

General Fund revenues are anticipated to be $227.4 billion after transfers. This represents a decrease of $7.8 billion (3.3%) from the revised 2025-26 estimates, primarily due to changes in BSA transfers and a decline in other revenue sources. Despite an overall decline in General Fund revenues, personal income taxes are projected to increase by $4.4 billion and corporate taxes by $1.8 billion. General Fund expenditures are budgeted at $248.3 billion, an increase of $10.7 billion or 4.5% over the revised 2025-26 levels.

The State identified a General Fund budget shortfall of approximately $2.9 billion prior to implementing fiscal solutions. To achieve a balanced budget for 2026-27, the Governor's Budget focuses on the continued implementation of previously approved investments rather than introducing significant new spending, retaining a discretionary reserve of $4.5 billion, and managing the shortfall through reserve-related actions and adjustments. The Budget plans to maintain $23.0 billion in total budgetary reserves, including $14.4 billion in the BSA, $4.5 billion in the operating reserve, and $4.1 billion in the Public School System Stabilization Account.

Revenues for the three-year period 2024-25 through 2026-27 are projected to be $42.0 billion higher than estimated in the 2025 Budget Act; the increase is driven largely by the technology sector and artificial intelligence. The reliance on tax revenues from artificial intelligence-related technology stock earnings poses a risk, however, as historical trends suggest that such revenue gains may not be sustained indefinitely. Additional risks include federal policy uncertainty regarding tariffs, immigration, and inflation.

Long-term Financial Planning

California's long-term financial planning is focused on managing structural deficits, volatile revenue streams, and massive unfunded liabilities, while maintaining a robust reserve system to buffer against future economic shocks. The State's long-term financial outlook and planning include the following implementation issues and measures:

- While the State achieved a balanced budget for the 2026-27 fiscal year, the outlook for future years is concerning. The Governor's Budget projects a significant General Fund deficit of approximately $22.0 billion for the 2027-28 fiscal year, with shortfalls expected to continue in the subsequent two years. Consequently, long-term planning currently focuses on curbing new spending and prioritizing the implementation of previously approved investments to provide long-term stability for critical programs.

- The State will focus on the management of long-term liabilities. At the end of fiscal year 2024-25, the State had a positive $19.4 billion total net position, and the unrestricted net position stood at negative $196.5 billion. The unrestricted net position deficit was primarily driven by unfunded employee obligations, which stood at approximately $176.5 billion, or 89.8% of the unrestricted net position, consisting of long-term liabilities for pensions, other post-employment benefits, and compensated absences. These are recognized as obligations now, even though payments will occur over many future years. The State carries $64.4 billion in bonded debt used to build capital assets for local school districts and other local governmental entities. Because the State does not own these assets, the debt reduces the State's net position without an offsetting asset. The State will continue to experience a deficit in its unrestricted net position as long as these unfunded obligations and local government-related debts remain outstanding. The Governor's proposed budget includes spending $11.8 billion over the next four years (including $3.0 billion in 2026-27) to pay down state pension liabilities.

- The State's long-term planning process aims to address the challenges of revenue sustainability and volatility. A substantial portion of recent revenue gains is attributable to the small number of technology companies involved in artificial intelligence; however, these gains may not be sustained indefinitely, and a downturn in technology stock prices poses a major risk to future General Fund revenues.

- The Consumer Price Index grew by 3.3% through the third quarter of 2025. During the same period, personal income growth for Californians was more robust, increasing by 5.5%. The uncertainty around federal policy regarding tariffs poses a risk to consumer prices and overall economic demand.

- California's minimum wage rose to $16.50 per hour on January 1, 2025. While the increase in wages supports lower-income workers, it may contribute to higher labor costs for employers, particularly in sectors with high minimum- wage employment.

- The 2026-27 Governor's Budget continues to allocate significant funding to support climate change resilience, and to protect natural resources and the environment from climate related threats. California continues to face the risk of catastrophic wildfires that threaten communities, landscapes, and ecosystems across the state. The State is making progress—data collected by California Department of Forestry and Fire Protection indicates that more than 80% of fuel reduction projects analyzed have positively changed fire behavior, assisted in fire suppression efforts, or both.

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

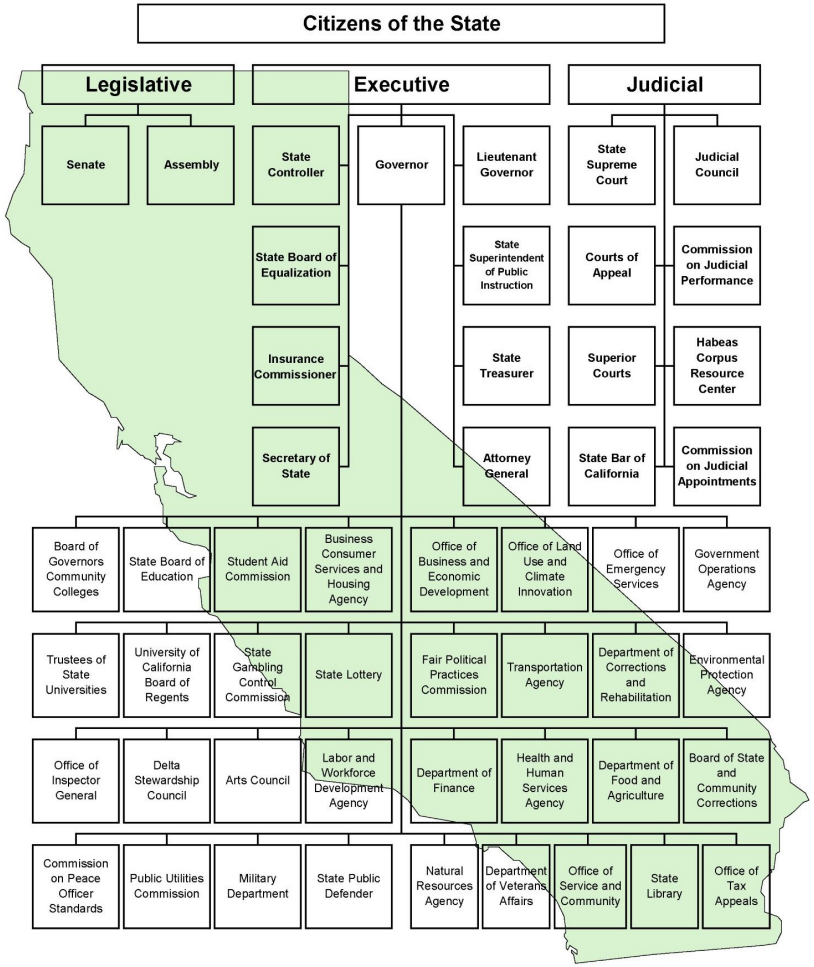
Monique Limón
President pro Tempore, Senate

Robert Rivas
Speaker of the Assembly

Judicial Branch

Patricia Guerrero
Chief Justice, State Supreme Court

Organization Chart of the State of California



Financial Section

Grant Parks *State Auditor*
Mike Tilden *Chief Deputy*

Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

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, 2025, 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.

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 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 June 30, 2025, 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 84 percent of the assets and deferred outflows, and 52 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 91 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 86 percent of the assets and deferred outflows, and 50 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 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 5 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the State of California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

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

May 5, 2026

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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, 2025. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

California continued its trend of gradual but steady economic expansion during fiscal year 2024-25, driven by growth in the technology, entertainment, agriculture, and manufacturing industry segments, as the state surpassed Japan to become the fourth largest economy in the world. Revenue growth for the State's primary government was also stimulated by an unexpected surge in financial markets in fiscal year 2024-25, characterized by back-to-back years of double-digit gains for the S&P 500 in spite of high interest rates and global geopolitical volatility. General revenues, comprised primarily of taxes, increased by $28.6 billion (12.0%), compared to an increase of $10.9 billion (4.8%) recorded for fiscal year 2023-24. This tax revenue increase was attributable to California's rebounding job market, stock market growth fueling capital gains, and aggressive changes in tax policy. The State's managed care organization (MCO) enrollment tax, intended to generate funding to support Medi-Cal programs, increased by $2.2 billion, which also contributed to the increase in general revenues. As of June 30, 2025, the Budget Stabilization Account, California's "Rainy Day Fund," held reserves of $18.3 billion, and accounted for a significant portion of the State's $22.2 billion in total budgetary reserves. Expenses and transfers for the State's governmental activities increased by $38.7 billion (8.8%), and were less than total revenues received, resulting in a $3.5 billion increase in the governmental activities' net position, as restated. Total expenses for the State's business-type activities were less than total revenues and transfers, resulting in a $1.3 billion increase in the business-type activities' net position, as restated, for fiscal year 2024-25.

For fiscal year 2024-25, the State implemented GASB Statement No. 101, *Compensated Absences*, which is intended to update the recognition and measurement guidance for compensated absences under a unified model. As a result of the implementation, the primary government's statement of net position had a decrease of $1.4 billion for governmental activities. Additionally, the State implemented GASB Statement No. 102, *Certain Risk Disclosures,* to provide users of financial statements with essential information about risks related to vulnerabilities due to certain concentrations or constraints. Implementation of GASB Statement No. 102 resulted in no changes to the ACFR. See Note 2 for additional details related to accounting changes and error corrections.

Net Position – The primary government ended fiscal year 2024-25 with a net position of $19.4 billion, an increase of $4.8 billion (32.9%) from the previous year, as restated. The total net position is reduced by $141.3 billion for net investment in capital assets and by $74.6 billion for restricted net position, yielding a negative unrestricted net position of $196.5 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. Approximately 89.8%, or $176.5 billion, of the negative $196.5 billion unrestricted net position consists of unfunded, employee-related, long-term liabilities (net pension liability, net other post employment benefits liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of $64.4 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, 2025, the primary government's governmental funds reported a combined ending fund balance of $122.1 billion, a decrease of $2.5 billion from the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was $55.0 billion, an increase of $3.6 billion over the prior year unrestricted fund balance of $51.4 billion. The nonspendable and restricted fund balances were $3.4 billion and $63.7 billion, respectively.

Proprietary Funds – As of June 30, 2025, the primary government's proprietary funds reported a combined ending deficit net position of $19.6 billion, an increase of $1.5 billion from the prior fiscal year, as restated. The total net position is reduced by $4.6 billion for net investment in capital assets, expendable restrictions of $10.9 billion, and nonexpendable restrictions of $2 million, yielding a negative unrestricted net position of $35.1 billion.

Noncurrent Assets and Liabilities

As of June 30, 2025, the primary government's noncurrent assets totaled $211.2 billion, of which $184.2 billion is related to capital assets. State highway infrastructure assets of $86.5 billion represent the largest portion of the State's capital assets, while buildings and other depreciable property are the second largest portion at $64.8 billion.

The primary government's noncurrent liabilities totaled $302.4 billion, consisting of $176.5 billion in unfunded employee-related future obligations, $76.1 billion in general obligation bonds, $30.8 billion in revenue bonds, and $19.0 billion in other noncurrent liabilities. During fiscal year 2024-25, the primary government's noncurrent liabilities decreased by $3.2 billion (1.0%) from the previously reported noncurrent liabilities. The net decrease in noncurrent liabilities is primarily driven by a decrease of $10.7 billion in net pension liability, offset by an increase of $6.1 billion in net other post-employment benefits (OPEB) liability.

Overview of the Financial Statements

This discussion and analysis is an introduction to the section presenting the State's basic financial statements, which include 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 net position (governmental and business-type activities) improved by $4.8 billion (32.9%), from $14.6 billion, as restated, to $19.4 billion at June 30, 2025. The fiscal year 2024-25 beginning balance restatements were mainly due to the implementation of GASB Statement No. 101, *Compensated Absences*, which resulted in a decrease of $1.4 billion to the primary government's beginning net position. More information concerning the implementation of GASB Statement No. 101 can be found in Note 2.

The primary government's $141.3 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 component of net position consists of capital assets 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 net position includes another $74.6 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, 2025, the primary government's combined unrestricted deficit net position was $196.5 billion—$163.2 billion for governmental activities and $33.3 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, 2025 and 2024
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	$ 259,774	$ 245,935	$ 33,157	$ 30,446	$ 292,931	$ 276,381
Capital assets	164,870	159,526	19,339	18,270	184,209	177,796
Total assets	**424,644**	**405,461**	**52,496**	**48,716**	**477,140**	**454,177**
DEFERRED OUTFLOWS OF RESOURCES	34,664	41,663	5,318	6,281	39,982	47,944
Total assets and deferred outflows of resources	**$ 459,308**	**$ 447,124**	**$ 57,814**	**$ 54,997**	**$ 517,122**	**$ 502,121**
LIABILITIES						
Noncurrent liabilities	$ 258,367	$ 262,718	$ 43,988	$ 42,869	$ 302,355	$ 305,587
Other liabilities	143,240	124,821	25,959	24,578	169,199	149,399
Total liabilities	**401,607**	**387,539**	**69,947**	**67,447**	**471,554**	**454,986**
DEFERRED INFLOWS OF RESOURCES	19,840	25,150	6,341	7,341	26,181	32,491
Total liabilities and deferred inflows of resources	**421,447**	**412,689**	**76,288**	**74,788**	**497,735**	**487,477**
NET POSITION						
Net investment in capital assets	137,256	134,089	4,015	3,867	141,271	137,956
Restricted	63,849	68,517	10,726	8,631	74,575	77,148
Unrestricted	(163,244)	(168,171)	(33,215)	(32,289)	(196,459)	(200,460)
Total net position (deficit)	**37,861**	**34,435**	**(18,474)**	**(19,791)**	**19,387**	**14,644**
Total liabilities, deferred inflows of resources, and net position	**$ 459,308**	**$ 447,124**	**$ 57,814**	**$ 54,997**	**$ 517,122**	**$ 502,121**

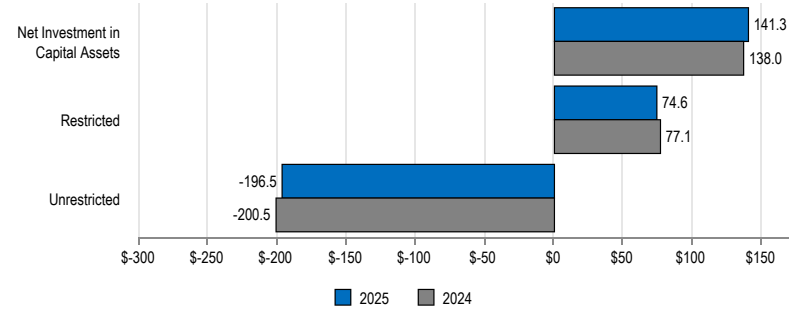
Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column due to the complexity and quantity of adjustments to various accounts. Refer to Note 2 Accounting Changes and Error Corrections for details of current-year adjustments.

A significant factor contributing to the unrestricted net position 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, 2025, the primary government recognized $176.5 billion (89.8% of the negative $196.5 billion unrestricted net position) in unfunded employee-related obligations—net pension liability, net other post employment benefits liability and compensated absences. In addition, the primary government recognized $64.4 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, 2025 and 2024
(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled $520.0 billion for the fiscal year ended June 30, 2025. Of this amount, $257.6 billion (49.5%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving $262.4 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of $267.2 billion were greater than the unfunded expenses. As a result, the total net position, as restated, increased by $4.8 billion.

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, 2025 and 2024
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program Revenues:						
Charges for services	$ 48,155	$ 45,618	$ 37,424	$ 31,625	$ 85,579	$ 77,243
Operating grants and contributions	165,058	161,736	3,703	3,326	168,761	165,062
Capital grants and contributions	3,223	2,699	1	—	3,224	2,699
General Revenues:						
Taxes	262,959	234,506	—	—	262,959	234,505
Investment and interest	3,290	3,286	—	—	3,290	3,286
Miscellaneous	970	848	—	—	970	848
Total revenues	**483,655**	**448,692**	**41,128**	**34,951**	**524,783**	**483,643**
EXPENSES						
Program Expenses:						
General government	27,780	30,365	—	—	27,780	30,365
Education	111,485	104,989	—	—	111,485	104,989
Health and human services	267,964	239,313	—	—	267,964	239,312
Natural resources and environmental protection	17,002	15,844	—	—	17,002	15,844
Business, consumer services, and housing	4,677	4,588	—	—	4,677	4,588
Transportation	24,890	22,097	—	—	24,890	22,097
Corrections and rehabilitation	17,182	16,282	—	—	17,182	16,282
Interest on long-term debt	3,825	3,780	—	—	3,825	3,780
Water Resources	—	—	1,558	1,624	1,558	1,624
State Lottery	—	—	8,997	9,362	8,997	9,362
Unemployment Programs	—	—	21,371	18,212	21,371	18,212
California State University	—	—	12,923	11,868	12,923	11,868
Other enterprise programs	—	—	326	273	326	273
Total expenses	**474,805**	**437,257**	**45,175**	**41,339**	**519,980**	**478,596**
Excess (deficiency) before transfers	**8,850**	**11,435**	**(4,047)**	**(6,388)**	**4,803**	**5,047**
Gain/loss on early extinguishment of	—	(4)	—	—	—	(3)
Transfers	(5,350)	(4,265)	5,350	4,265	—	—
Change in net position	3,500	7,167	1,303	(2,123)	4,803	5,044
Net position (deficit), beginning, as previously reported	**34,435**	**(20,276)**	**(19,791)**	**(17,668)**	**14,644**	**(37,944)**
Error corrections	1,368	47,544	—	—	1,368	47,544
Change within financial reporting entity	(27)	—	—	—	(27)	—
Changes in accounting principle	(1,415)	—	14	—	(1,401)	—
Net position (deficit), beginning, as restated	34,361	27,268	(19,777)	(17,668)	14,584	9,600
Net position (deficit), ending	**$ 37,861**	**$ 34,435**	**$ (18,474)**	**$ (19,791)**	**$ 19,387**	**$ 14,644**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column. Refer to Note 2 Accounting Changes and Error Corrections for details of current year adjustments.

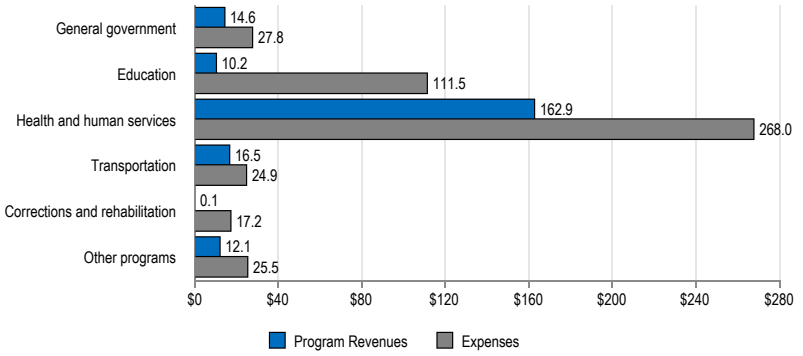
Governmental Activities

During fiscal year 2024-25, governmental activities' expenses and transfers totaled $480.2 billion. Program revenues totaling $216.5 billion, including $168.3 billion in federal grants and contributions, funded 45.1% of expenses and transfers, leaving $263.7 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities of $267.2 billion exceeded net unfunded expenses and transfers by $3.5 billion, resulting in the governmental activities' net position of $37.9 billion after restatement, as of June 30, 2025, an increase from the prior year's restated net position of $34.4 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, 2025
(amounts in billions)

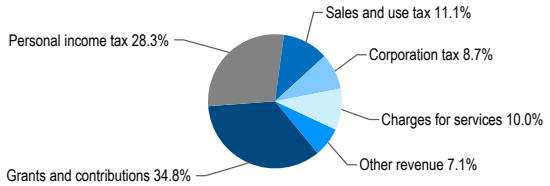


For the fiscal year ended June 30, 2025, total governmental activities' revenue was $483.7 billion, an increase of 7.8% from the prior year. General revenues increased by $28.6 billion (12.0%), to $267.2 billion, and program revenues increased by $6.4 billion (3.0%), to $216.5 billion. Personal income taxes increased by $20.6 billion (17.7%) from the prior year in fiscal year 2024-25, primarily driven by sustained growth in AI in the technology sector, supporting elevated stock market performance and increased wage and bonus income. Corporation taxes rose by $4.8 billion (12.8%) over the prior year due to aggressive state tax policy changes, including limitations in the use of business tax credits and suspension of net operating loss deductions. Sales and use taxes increased by $392 million (0.7%) from the prior year. Additionally, the State's managed (MCO) tax contributed a $2.2 billion increase to general revenues, and is expected to be a continuous revenue source due to voter approval of Proposition 35 in November 2024.

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

Chart 3

Revenues by Source
Year ended June 30, 2025
(as a percent)

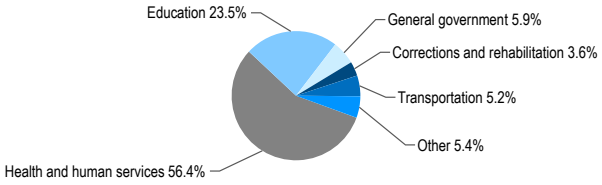


Overall, expenses for governmental activities increased by $37.5 billion (8.6%) from the prior year, to $474.8 billion. The largest increase in expenditures, $28.7 billion (12.0%), occurred in health and human services due to expansion of the Medi-Cal program. Another notable increase in expenditures included $6.5 billion (6.2%) in education.

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

Chart 4

Expenses by Program
Year ended June 30, 2025
(as a percent)



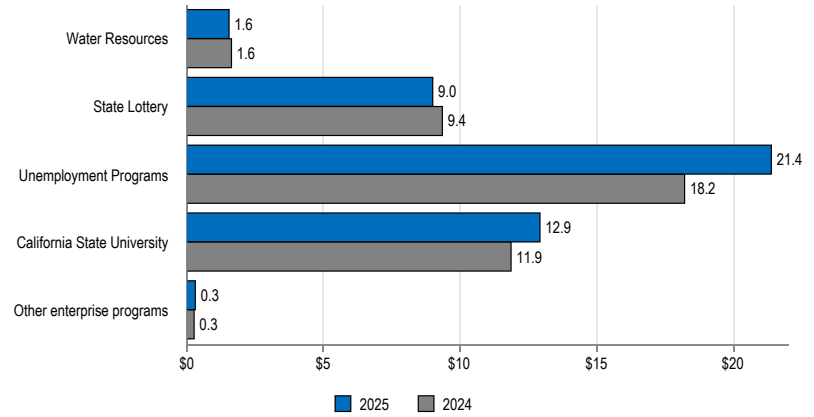
Business-type Activities

As of June 30, 2025, business-type activities' expenses totaled $45.2 billion. Program revenues of $41.1 billion, primarily generated from charges for services, and $5.4 billion in transfers, were sufficient to cover these expenses. As a result, the restated business-type activities' net position increased from a deficit of $19.8 billion, to a deficit of $18.5 billion at June 30, 2025, an increase of $1.3 billion.

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, 2025 and 2024
(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds declined in fiscal year 2024-25, with a combined fund balance decrease of $2.5 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 increase during the fiscal year, primarily due to an increase in personal income taxes as a result of strong stock-market growth. Governmental funds also received a boost in revenue during fiscal year 2024-25 due to an increase of $2.2 billion in managed care organization enrollment taxes, which was implemented in the fiscal year 2022-23 to address increasing costs related to the Medi-Cal program. Health and human services expenditures, consisting primarily of Medi-Cal, increased by $28.1 billion (11.7%); this increase contributed largely to the decrease in the fund balance. The proprietary funds' total net position increased by $1.5 billion during fiscal year 2024-25; the increase was comprised of a $1.3 billion net position increase for enterprise funds, as well as a $196 million increase for internal service funds. The increase in the enterprise funds' net position includes a net position increase of $367 million in the California State University Fund to a deficit balance of $13.9 billion, a net position increase of $302 million in the Unemployment Programs Fund to a deficit balance of $14.3 billion, and a net position increase of $602 million in the nonmajor enterprise funds to a balance of $8.7 billion. The deficit net position in Unemployment Programs reflects excessive advances from the federal government during the pandemic to sustain unemployment insurance benefits, pursuant to Title XII of the Social Security Act. The advance of federal funds was necessary due to the State's rising unemployment costs, outdated tax system, and failure to build adequate unemployment program reserves during periods of economic growth. As of June 30, 2025, the State's advances had been outstanding for more than two years, resulting in a reduction of 1.2% of the amount of Federal Unemployment Tax Act (FUTA) credits California employers could claim on their tax returns. These credit reductions will be applied to the State's outstanding advances until they are paid off.

Governmental Funds

As of June 30, 2025, the governmental funds' balance sheet reported $275.0 billion in assets, $152.9 billion in liabilities and deferred inflows of resources, and fund balances totaling $122.1 billion. Total assets of governmental funds increased by 2.7%, while total liabilities and deferred inflows of resources increased by 6.0%, which yielded a net fund balance decrease of $2.5 billion.

Within the governmental funds' total fund balance, $3.4 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Another $63.7 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, $22.4 billion of the total fund balance is classified as committed for specific purposes and $29.5 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is $3.1 billion — $517 million more than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported $482.5 billion in revenues, $488.3 billion in expenditures, and $3.3 billion in net proceeds from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2025, was $122.1 billion, a $2.5 billion decrease from the prior year's restated ending fund balance of $124.6 billion.

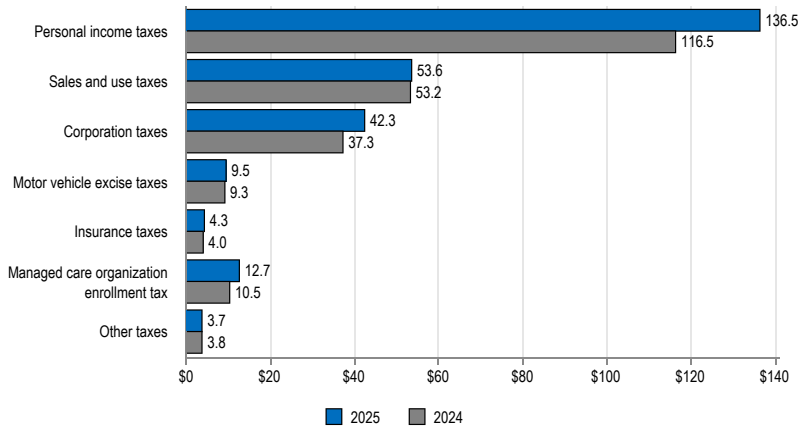
Governmental funds' revenue consists primarily of taxes (54.4%) and intergovernmental revenue (36.2%). Personal income taxes accounted for 52.0% of tax revenues, and increased by $20.0 billion over the prior fiscal year. Sales and use taxes accounted for 20.4% of tax revenues, and increased by $386 million from the prior fiscal year. Corporation taxes accounted for 16.1% of tax revenues, and increased by $5.0 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by $7.2 billion (4.3%) over the prior fiscal year.

Governmental funds' expenditures increased by $34.0 billion (7.5%) from the prior fiscal year. The increase is mainly due to the growth in health and human services expenditures of $28.1 billion (11.7%), consisting primarily of spending on Medi-Cal. The overall increase in governmental funds' expenditures also consists of an increase in education expenditures of $6.6 billion (6.3%) from the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's TK-12 schools and community colleges. Other notable increases in governmental funds' expenditures over the prior year include $3.0 billion (11.7%) for transportation, and $689 million (4.4%) for natural resources and environmental protection. Notable decreases in governmental funds' expenditures include $2.2 billion (6.9%) for general government and $1.1 billion (11.8%) for bond, commercial paper, and lease principal retirement.

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, 2025 and 2024
(amounts in billions)



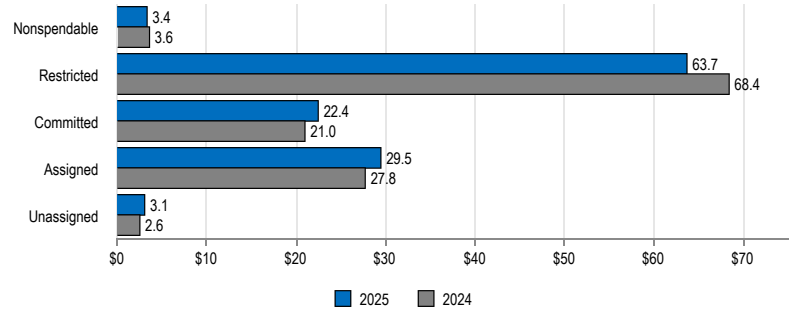
The State's major governmental funds are the General Fund, the Federal Fund, and the Environmental and Natural Resources Fund. The General Fund ended the fiscal year with a fund balance of $57.8 billion, a decrease of $6.5 billion from the prior year's fund balance, as restated. The Federal Fund ended the year with a fund balance of $533 million, while the Environmental and Natural Resources Fund ended the fiscal year with a fund balance of $25.9 billion. The nonmajor governmental funds ended the fiscal year with a combined fund balance of $37.8 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended fiscal year 2024-25 with assets of $132.0 billion; liabilities and deferred inflows of resources of $74.2 billion; and nonspendable, restricted, committed, and assigned fund balances of $3.4 billion, $19.5 billion, $2.0 billion, and $29.4 billion, respectively. These balances left the General Fund with an unassigned fund balance of $3.5 billion, a decrease of $319 million from the prior year. Total assets of the General Fund increased by $2.2 billion (1.7%) from the prior fiscal year, and total liabilities and deferred inflows of resources increased by $7.7 billion (11.6%) from 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, 2025 and 2024
(amounts in billions)



As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had expenditures in excess of revenues of $236 million ($221.6 billion in revenues and $221.8 billion in expenditures). Approximately $210.2 billion (94.9%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($134.2 billion), corporation taxes ($42.3 billion), and sales and use taxes ($33.7 billion). A total of $765 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 2024-25, total General Fund revenue increased by $26.3 billion (13.5%), mainly due to an increase in personal income taxes resulting from stock market growth. Meanwhile, General Fund expenditures increased by $31.5 billion. The General Fund ended the fiscal year with a fund balance of $57.8 billion after transfers, a decrease of $6.5 billion from the prior year's restated ending fund balance of $64.3 billion. The General Fund's ending fund balance includes $18.3 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic, floods, or wildfires.

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 $142.5 billion (86.1%) of the total $165.4 billion in fund expenditures. Education, transportation, general government programs, and natural resources and environmental protection constituted $10.1 billion (6.1%), $6.1 billion (3.7%), $4.7 billion (2.8%), and $1.2 billion (0.7%) of the fund's expenditures, respectively. The Federal Fund's revenues increased by $3.8 billion from the prior year, while expenditures and transfers had a combined increase of $2.9 billion, resulting in a $176 million increase from the prior year's ending fund balance of $357 million, to $533 million.

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 decreased by $1.8 billion (16.1%) from the prior year, and the expenditures decreased by $600 million (5.7%). Other financing sources provided net receipts of $2.3 billion, mainly from bond proceeds, including those sold under the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. The Environmental and Natural Resources Fund ended the fiscal year with a $25.9 billion fund balance, an increase of $1.8 billion (7.5%) over the prior year's restated fund balance.

Proprietary Funds

Enterprise Funds: The total deficit net position of the enterprise funds at June 30, 2025, was $18.5 billion—a $1.3 billion improvement from the prior year's restated deficit net position of $19.8 billion. The largest portion of this improvement in net position was attributable to the Nonmajor Enterprise Funds, with a $602 million increase to net position, ending the fiscal year with a net position of $8.7 billion. Other improvements included increases in the net position of the California State University Fund by $367 million, and the Unemployment Programs Fund by $302 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were $58.4 billion as of June 30, 2025. Of this amount, current assets totaled $17.6 billion, noncurrent assets totaled $35.5 billion, and deferred outflows of resources totaled $5.3 billion. Total liabilities and deferred inflows of resources for the enterprise funds was $76.9 billion. One of the largest liabilities of the enterprise funds was $21.0 billion due to other governments, $20.6 billion of which represents borrowings from the U.S. Department of Labor for the Unemployment Programs Fund, primarily associated with federal pandemic relief programs. Other noteworthy cumulative liabilities of the enterprise funds include a net OPEB liability of $16.9 billion, $15.7 billion in revenue bonds payable including the current portion, and $9.0 billion in net pension liability. Total net position for enterprise funds consisted of four segments: net investment in capital assets of $4.0 billion, nonexpendable restricted net position of $2 million, restricted expendable net position of $10.7 billion, and unrestricted net deficit of $33.2 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of $36.2 billion, operating expenses of $42.4 billion, and net revenues from other transactions and transfers of $7.6 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of $21.5 billion in the Unemployment Programs Fund, and lottery ticket sales of $8.9 billion collected by the State Lottery Fund. Unemployment and disability insurance receipts in the Unemployment Programs Fund were $5.9 billion (38.0%) greater than the prior fiscal year. The largest operating expenses were distributions to beneficiaries of $21.0 billion reported in the Unemployment Programs Fund, personal services expenses of $7.6 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 deficit net position of the internal service funds was $1.1 billion as of June 30, 2025. The total deficit net position consists of three segments: net investment in capital assets of $601 million, restricted expendable net position of $144 million, and unrestricted deficit net position of $1.8 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 $993.4 billion. The private purpose trust funds ended the fiscal year with a net position of $19.4 billion. The investment trust funds ended the fiscal year with a net position of $24.8 billion. The custodial fund ended the fiscal year with a net position of $879 million.

For the fiscal year ended June 30, 2025, the fiduciary funds' combined net position was $1.0 trillion, a $99.2 billion increase from the prior-year's net position. The net position of the investment trust funds increased by 11.5% compared to the prior year, and the overall net position of the fiduciary funds increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants.

General Fund Budget Highlights

The original General Fund budget of $226.8 billion was increased by $2.2 billion during fiscal year 2024-25. This increase is primarily attributable to additional funding for health and human services.

The Health and Human Services budget increased based on higher overall enrollment in Medi-Cal due to redetermination of eligibility, and higher-than-projected caseload and pharmacy costs. Cost increases were offset by additional support from the MCO Tax.

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, 2025
(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	$ 4,665	$ 4,672	$ 7
Transportation	895	895	—
Natural resources and environmental protection	7,329	8,274	945
Health and human services	76,521	79,545	3,024
Corrections and rehabilitation	14,714	14,423	(291)
Education	97,863	96,758	(1,105)
General government:			
Tax relief	423	423	—
Debt service	5,170	5,175	5
Other general government	19,260	18,887	(373)
Total	**$ 226,840**	**$ 229,052**	**$ 2,212**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the State's investment in capital assets for its governmental and business-type activities amounted to $184.2 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, 2025, the State's capital assets increased by $6.4 billion, or 3.6% over the prior fiscal year. The majority of the increase is attributable to net additions to construction/development in progress of $4.9 billion (primarily due to highway infrastructure and high-speed passenger rail projects), state highway infrastructure of $1.3 billion, and buildings and other depreciable property of $1.2 billion, offset by an increase in accumulated depreciation/amortization of $1.8 billion. Additional information on the State's capital assets can be found in Note 7.

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

Table 4

Capital Assets – Primary Government – Two-year Comparison
June 30, 2025 and 2024
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 22,146	$ 21,985	$ 490	$ 489	$ 22,636	$ 22,474
State highway infrastructure	86,499	85,170	—	—	86,499	85,170
Collections – nondepreciable	22	22	40	40	62	62
Buildings and other depreciable property	40,820	40,655	23,988	22,907	64,808	63,562
Intangible assets – amortizable	4,052	3,892	574	548	4,626	4,440
Right to use leased assets	4,591	4,463	987	833	5,578	5,296
Less: accumulated depreciation/ amortization	(23,478)	(22,410)	(10,394)	(9,642)	(33,872)	(32,052)
Construction/development in progress	28,794	24,431	3,523	2,958	32,317	27,389
Intangible assets – nonamortizable	1,426	1,318	131	137	1,557	1,455
Total	**$ 164,872**	**$ 159,526**	**$ 19,339**	**$ 18,270**	**$ 184,211**	**$ 177,796**

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 2024-25, the actual amount spent on preservation was 48.8% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 94.7% of bridge deck area judged to be of fair or better quality and 85.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 12,939 bridges and tunnels and 50,727 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, 2025, the State had total bonded debt outstanding of $112.6 billion. Of this amount, $80.3 billion (71.3%) 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 $4.2 billion and the long-term portion is $76.1 billion. The remaining $32.3 billion (28.7%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $1.5 billion and the long-term portion is $30.8 billion.

During the fiscal year, the State issued a total of $8.0 billion in new general obligation bonds to fund various capital projects and other voter-approved costs related to TK-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, 2025 and 2024
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Government-wide noncurrent liabilities						
General obligation bonds	$ 75,181	$ 75,458	$ 901	$ 636	$ 76,082	$ 76,094
Revenue bonds payable	15,751	15,717	15,002	14,540	30,753	30,257
Total bonded debt	90,932	91,175	15,903	15,176	106,835	106,351
Net pension liability	72,758	82,383	9,016	10,079	81,774	92,462
Net other postemployment benefits liability	73,313	68,707	16,862	15,403	90,175	84,110
Mandated cost claims payable	1,785	1,887	—	—	1,785	1,887
Loans payable	12	20	—	—	12	20
Compensated absences payable	4,287	5,304	269	293	4,556	5,597
Workers' compensation benefits payable	6,011	5,689	12	15	6,023	5,704
Lease liability	2,198	2,349	367	327	2,565	2,676
Subscription liability	70	37	56	25	126	62
Commercial paper	1,011	1,031	638	636	1,649	1,667
Other noncurrent liabilities	5,992	4,136	866	915	6,858	5,051
Total noncurrent liabilities	**258,369**	**262,718**	**43,989**	**42,869**	**302,358**	**305,587**
Current portion of long-term obligations	9,270	6,405	2,162	2,018	11,432	8,423
Total long-term obligations	**$ 267,639**	**$ 269,123**	**$ 46,151**	**$ 44,887**	**$ 313,790**	**$ 314,010**

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

During the fiscal year ended June 30, 2025, the primary government's total long-term obligations decreased by $1.8 billion from the prior year's balance. The largest decrease in long-term obligations during the fiscal year was a $10.7 billion decrease in net pension liability resulting from an increase in pension plan net investment income. Other significant increases included a $6.1 billion increase in net other postemployment benefit liability.

Note 10, Long-term Obligations, and Notes 11 through 18 include additional information on the State's long-term obligations.

During the year ended June 30, 2025, 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 ended June 30, 2025

During the 2024-25 fiscal year, California's economy exhibited slowing but relatively stable growth in the midst of a mature economic expansion, overtaking Japan to become the fourth-largest economy in the world. While cooling consumer spending moderated overall activity, continued strength in segments of the technology sector, including industries associated with artificial intelligence, partially offset weaker performance in other areas of the economy. Several economic headwinds started to emerge in the latter half of the fiscal year as the new federal administration enacted broad and elevated tariffs, began enforcing strict immigration policies, and made substantial cuts to the federal government workforce. California also experienced devastating wildfires in the Los Angeles region in January 2025, which burned an estimated 16,000 homes, businesses, and other structures and caused an unprecedented economic loss of more than $250 billion, leading to a state tax filing postponement for affected individuals and businesses until October 15, 2025.

As a result of these challenges, California's economy continued in an incremental growth pattern amid vigilant oversight. California's real gross domestic product (GDP) reached $4.2 trillion at June 30, 2025, an increase of 3.3% during fiscal year 2024-25, compared to real GDP of $4.1 trillion at June 30, 2024, and growth of 6.3% during the 2023-24 fiscal year. California's economic growth was slower than that of the United States GDP, which increased by 5.1% during fiscal year 2024-25.

Labor market conditions weakened slightly during fiscal year 2024-25. The State experienced moderate job growth alongside an increase of approximately 29,000 unemployed workers, resulting in a 0.1% increase in the State's unemployment rate. Weekly unemployment insurance claims, which had decreased to 381,000 at the end of fiscal year 2023-24, increased marginally as California issued approximately 388,000 claims per week to unemployed workers by the end of fiscal year 2024-25. The unemployment rate rose slightly to 5.4% at June 30, 2025, compared to 5.3% at the end of the prior year. During fiscal year 2024-25, new non-farm jobs saw an increase of approximately 98,000 compared to approximately 78,000 jobs added in the prior fiscal year. Job growth was concentrated in a limited number of industries, with only three of California's 11 major industry sectors experiencing net employment gains. The private education and health services sectors saw growth for a fifth consecutive year, with a collective 5.8% gain in jobs during fiscal year 2023-24 and another 160,000 jobs added in fiscal year 2024-25, an increase of 4.9%. The private education and health services sectors include jobs in private educational institutions and services as well as health care and social assistance.

The California housing market continued to face challenges during fiscal year 2024-25 due to elevated mortgage rates and high home prices, despite signs of improving supply conditions. The median price of homes in California was $899,790 as of June 2025, a decrease of 0.1% from the prior year and a nominal increase of 7.4% over a two-year span. By comparison, the national median home price increased by 1.3% from the prior year to $432,700 in June 2025. Thirty-year fixed mortgage rates averaged approximately 6.8% in June 2025, slightly below the average of 6.9% in June 2024. The elevated rates continued to impact sales of existing single-family homes; in June 2025, sales were down 0.3% compared to June 2024. However, new active listings increased by approximately 43% over the same period, reflecting improved housing availability. New privately owned residential construction totaled approximately 99,900 units in the 2024-25 fiscal year, a decline of 5.6% from the prior year, as higher borrowing costs continued to dampen residential construction activity. Despite ongoing affordability challenges, rising inventory, longer on-market times, and a slight decline in the proportion of homes selling above asking price collectively indicate a gradual shift toward conditions that are more favorable to buyers.

Consumer activity showed mixed trends during the fiscal year. New light vehicle registrations increased by 6.6% during the first six months of calendar year 2025 compared to the same period in 2024, in part reflecting accelerated purchasing ahead of anticipated vehicle price increases associated with tariffs.

Personal income for Californians increased by 5.5% during fiscal year 2024-25, exceeding the national growth rate of 5.1%. Since 2015, California personal income has grown at an average annual rate of 5.7%, largely due to the low unemployment rate sustained during most of this period. Comparatively, personal income in the United States grew an average of 5.4% over the same period. Effective January 1, 2025, California's minimum wage increased to $16.50 per hour, with an additional increase to $16.90 per hour on January 1, 2026. The minimum wage is adjusted annually based on the national consumer price index for urban wage earners and clerical workers (CPI-W). The increase supports wage growth for lower-income workers but may contribute to higher labor costs for employers, particularly in sectors with a large share of minimum-wage employment. Despite long-term income growth, ongoing inflationary pressures and continued uncertainty related to federal policy on trade and immigration will continue to pose risks to the State's economy.

Economic Conditions for the 2025-26 Fiscal Year and Future Outlook

In the 2025-26 fiscal year, California's economy demonstrated resilience despite ongoing uncertainties surrounding federal trade, immigration, and fiscal policies. While the implementation of sweeping tariff measures in early 2025 initially raised concerns about potential cost pressures and broader economic impacts, subsequent reductions in tariff rates helped limit their overall effect, and economic activity in California remained relatively stable. The stronger-than-expected economic performance was supported by continued consumer spending, protracted pass-through of higher tariff costs to consumers, and strong personal income growth. In addition, investment and spending related to artificial intelligence supported notable economic growth within the State's technology sector.

At the end of the third quarter of 2025, the State's GDP reached $4.3 trillion, an increase of 4% over the same period in 2024. In comparison, the United States' GDP increased by 5.9%. Personal income growth for Californians was robust, increasing by 5.5% through the third quarter of 2025; the increase surpassed the 3.3% growth in the Consumer Price Index for the same period, but was below the United States' personal income growth of 6.1%. California added approximately 10,000 total non-farm jobs through the end of 2025 compared to approximately 22,000 added in the previous year. The unemployment rate remained relatively stable in 2025, standing at 5.5% as of the end of the year.

California's housing market closed out 2025 on solid footing, with both home sales and available inventory improving over the previous year. Existing home sales totaled approximately 288,000 units in December 2025, a 2.0% increase from the prior year. The 30-year fixed mortgage interest rate decreased from an average of 6.7% in December 2024, to a 6.2% average in December 2025. The statewide median home price was $851,000 in December 2025, a small decrease from $861,000 in the prior year. Easing price growth, improving inventory and mortgage rates at near-three-year lows have helped increase optimism for 2026, with increased opportunities for buyers and a healthier, more balanced market for both buyers and sellers.

New vehicle registrations increased 3.3% in 2025 compared to the previous year. Consumers faced the prospect of higher vehicle prices due to tariffs, which were expected to have a negative impact on new vehicle sales. However, the anticipation of tariffs during the first half of 2025 caused a surge in sales as car buyers moved to buy prior to the commencement of tariffs; this countered the impact of tariffs overall and produced better-than-expected sales results for the year. While tariff-related headwinds are projected to lower sales by 1.5% in 2026, pent-up demand and the prospect of lower interest rates should help prevent a significant decline.

California's economy continues to face risks due to the fast-moving and unpredictable nature of federal policymaking, especially as it relates to international trade and immigration. Although the inflationary effects of tariffs on consumer prices are now projected to be smaller and more gradual than initially anticipated, ongoing adjustments to tariff policy and uncertainty surrounding their administration continue to pose risks to consumer prices, business investment, and overall economic demand. In addition, ongoing changes to federal immigration policy poses risks to labor supply in key sectors of the California economy, including agriculture, construction, hospitality and health care, potentially weighing on job growth and consumer spending in the medium term. Finally, while equity markets have performed strongly—driven in part by elevated valuations of firms associated with artificial intelligence—any renewed market volatility or a significant downturn would negatively affect household wealth, consumer confidence, and state revenue performance.

California's 2025-26 Budget

California's 2025-26 Budget Act was enacted on June 27, 2025. The Budget Act appropriated $321.1 billion; $228.4 billion from the General Fund, $88.8 billion from special funds, and $3.9 billion from bond funds. Budgeted expenditures for the General Fund decreased by $5.2 billion (2.2%) from last year's budget, to $228.4 billion, and General Fund revenues were projected to be $215.7 billion after $7.1 billion in transfers from the Budget Stabilization Account (BSA), the State's "Rainy Day Fund." General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 60.4% of total revenue in fiscal year 2025-26. California's major taxes, including personal income taxes, sales and use taxes, and corporation taxes were projected to supply approximately 94.2% of the General Fund's resources in the 2025-26 fiscal year. The General Fund was projected to end the 2025-26 fiscal year with $15.7 billion in total reserves, including $11.2 billion in the BSA for fiscal emergencies and $4.5 billion in the State's operating reserve.

The 2025-26 Budget Act increased total state expenditures by $21.7 billion from the 2024-25 enacted budget level. Notable General Fund spending changes included increases of $15.8 billion for Health and Human Services and $4.5 billion for General Government. The General Fund's share of the Proposition 98 guaranteed minimum funding level for TK-12 schools and community colleges decreased by $724 million from the 2024-25 enacted budget level, to $114.6 billion.

The Budget included total funding of $137.6 billion for all TK-12 education programs, reflecting significant Proposition 98 funding intended to enable increased support for core programs such as the Local Control Funding Formula, special education, transitional kindergarten, nutrition, and preschool. The Budget provided $2.1 billion in ongoing support for full implementation of universal transitional kindergarten; $515 million for the full implementation of the Expanded Learning Opportunities Program for before, after, and summer school programs; and continued authority to spend from the previously approved $2.5 billion to support ongoing fire recovery efforts in Los Angeles County. Additionally, the Budget enacted a series of statutory changes to significantly address the State's housing affordability challenges and to facilitate and streamline housing and infrastructure production, including a one-time $500 million investment for the Low-Income Housing Tax Credit.

Despite substantial, ongoing uncertainty created by federal policy changes, the Budget provided a balanced fiscal plan that maintained significant reserves. It reduced state spending while maintaining support for key programs, and incorporated a comprehensive regulatory streamlining package to advance more affordable housing and infrastructure. The 2025-26 Governor's Budget projected modest but slow economic growth with a slight surplus in the budget window. However, the imposition of federal policy changes significantly slowed growth in the California economy. Most notably, broad-based tariffs blunted this growth and drove a downgrade to California's economic and revenue forecasts at the 2025-26 May Revision. At the same time, California also experienced substantial cost and caseload growth in several core state programs, most notably in Medi-Cal, which combined to create a General Fund shortfall of $11.8 billion. The Budget closed this gap through a range of solutions, taking difficult but necessary actions to reduce ongoing expenditure growth to maintain budget resilience, and provide long-term stability for critical state programs. Included in the Budget were $2.8 billion in reductions, including a $1.0 billion reduction in Prospective Payment System payments to health care centers and rural health clinics, and a $370 million reduction in pharmacy drug rebates. Additional solutions included $7.8 billion in revenue and borrowing, consisting of $4.4 billion across the budget window for a Medical Providers Interim Payment Fund loan to support Medi-Cal, $1.5 billion in additional special fund and internal borrowing, and $1.3 billion in Proposition 35 support for Medi-Cal rate increases. The Budget also continued the $7.1 billion draw down from the BSA which was authorized in the 2024 Budget Act.

In January 2026, the 2026-27 Governor's Budget was released, providing updated estimates of fiscal year 2025-26 General Fund revenues, expenditures, and reserves. The 2026-27 Governor's Budget projected fiscal year 2025-26 General Fund revenue of $235.2 billion after transfers—$19.4 billion (9.0%) more than projected in the 2025-26 Budget Act—and expenditures of $237.7 billion. Total year-end reserves were estimated at $41.3 billion —$25.5 billion in the State's operating reserve, $11.3 billion in the BSA, and $4.5 billion in the Public School System Stabilization Account (PSSSA)—which was $25.6 billion (162.9%) more than projected in the 2025-26 Budget Act.

California's 2026-27 Budget

California's fiscal year 2026-27 Governor's Budget was released on January 9, 2026, and includes projections of fiscal year 2026-27 General Fund revenues, expenditures, and reserves. General Fund revenues are anticipated to be $227.4 billion after transfers, a decrease of $7.8 billion (3.3%) from revised fiscal year 2025-26 revenue estimates. The decline primarily reflects a change in the direction of BSA transfers and a projected decrease of $4.8 billion in other revenue sources, partially offset by projected increases of $4.4 billion in personal income taxes and $1.8 billion in corporation taxes. General Fund expenditures for fiscal year 2026-27 are budgeted at $248.3 billion, an increase of $10.7 billion (4.5%) compared to the revised fiscal year 2025-26 estimates. The Governor's Budget maintains fiscal discipline by preserving a total of $23.0 billion in budgetary reserves—$14.4 billion in the BSA for fiscal emergencies, $4.5 billion in the State's operating reserve, and $4.1 billion in the PSSSA.

The 2026-27 Governor's Budget continues to allocate significant funding to education, climate change resilience, housing and homelessness, and safety net programs. The Budget allocates total funding of $149.1 billion for all TK-12 education programs and $50.4 billion for higher-education entities. Ongoing climate-related investments, the creation of the California Housing and Homelessness Agency under the Governor's Reorganization Plan, and health and social services programs remain key areas of expenditure.

The Budget reflects a significantly improved revenue outlook relative to the 2025 Budget Act. General Fund revenues over the 2024-25 through 2026-27 budget window are projected to be more than $42.0 billion higher than previously estimated, driven primarily by higher cash receipts, elevated stock market valuations, and an improved economic outlook for the State. A substantial portion of this increase is attributable to a relatively small number of technology companies, particularly those associated with artificial intelligence-related activities. Given the outsized effect that technology companies' stocks have on personal income tax revenues, historical trends indicate that such revenue gains may not be sustained indefinitely. As a result, declines in asset prices—particularly within the technology sector—pose a significant risk to future General Fund revenues. Additional risks include uncertainty related to federal policies affecting tariffs, immigration, inflation, labor markets, and overall economic demand.

The Budget identifies a General Fund shortfall of approximately $2.9 billion prior to budgetary solutions. The Budget proposes a combination of expenditure adjustments and reserve-related actions to address this shortfall, resulting in a balanced budget for the 2026-27 fiscal year while retaining a discretionary reserve of $4.5 billion. However, absent additional corrective actions, the Governor's administration projects a deficit of approximately $22.0 billion in the 2027-28 fiscal year and continuing shortfalls in the two subsequent fiscal years. Consequently, the Budget does not include significant new spending proposals and instead focuses on the continued implementation of previously approved investments. The Governor's administration intends to build on this proposal in May with a revised plan reflecting updated revenue and expenditure data.

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

Government-wide Financial Statements

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Statement of Net Position

June 30, 2025

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and pooled investments	$ 132,222,814	$ 9,376,539	$ 141,599,353	$ 5,123,829
Amount on deposit with U.S. Treasury	—	345,933	345,933	—
Investments	820,052	3,850,664	4,670,716	10,255,744
Restricted assets:				
Cash and pooled investments	837,967	420,686	1,258,653	1,277,337
Investments	—	—	—	210,958
Due from other governments	—	234,099	234,099	—
Contracts and installments receivable	14,863	—	14,863	—
Receivables (net)	61,190,851	2,807,407	63,998,258	10,368,685
Internal balances	(168,874)	168,874	—	—
Due from primary government	—	—	—	1,043,141
Due from other governments	52,917,565	232,594	53,150,159	223,075
Prepaid items	236,855	80,862	317,717	2,487
Inventories	90,330	33,777	124,107	522,598
Other current assets	196,312	7,653	203,965	811,644
Total current assets	248,358,735	17,559,088	265,917,823	29,839,498
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	89,989	200,103	290,092	33,858
Investments	—	50,690	50,690	246,432
Loans receivable	—	5,658,667	5,658,667	—
Investments	—	3,163,899	3,163,899	57,500,544
Contracts and installments receivable	157,535	—	157,535	—
Receivables (net)	3,651,235	1,888,323	5,539,558	3,600,450
Loans receivable	7,516,502	4,063,787	11,580,289	3,784,721
Long-term prepaid charges	81	543,616	543,697	89
Capital assets:				
Land	22,145,574	490,083	22,635,657	2,552,900
State highway infrastructure	86,499,369	—	86,499,369	—
Collections - nondepreciable	21,691	40,374	62,065	715,610
Buildings and other depreciable property	40,819,532	23,987,947	64,807,479	76,951,292
Intangible assets - amortizable	8,642,718	1,560,476	10,203,194	6,931,563
Less: accumulated depreciation/amortization	(23,477,927)	(10,394,190)	(33,872,117)	(42,210,379)
Construction/development in progress	28,793,673	3,523,199	32,316,872	9,871,712
Intangible assets - nonamortizable	1,425,599	131,097	1,556,696	318
Other noncurrent assets	—	29,028	29,028	981,433
Total noncurrent assets	176,285,571	34,937,099	211,222,670	120,960,543
Total assets	**424,644,306**	**52,496,187**	**477,140,493**	**150,800,041**
DEFERRED OUTFLOWS OF RESOURCES	34,663,404	5,317,958	39,981,362	5,451,083
Total assets and deferred outflows of resources	**$ 459,307,710**	**$ 57,814,145**	**$ 517,121,855**	**$ 156,251,124**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	$ 64,139,614	$ 985,668	$ 65,125,282	$ 5,903,675
Due to component units	1,043,141	—	1,043,141	—
Due to other governments	41,966,720	20,978,956	62,945,676	—
Revenues received in advance	3,130,352	259,141	3,389,493	2,016,524
Tax overpayments	19,273,187	—	19,273,187	—
Deposits	533,346	—	533,346	247,567
Contracts and notes payable	261	—	261	60,912
Unclaimed property liability	1,877,797	—	1,877,797	—
Interest payable	1,136,918	47,865	1,184,783	8,117
Securities lending obligations	—	—	—	2,422,644
Benefits payable	17,788	339,793	357,581	—
Current portion of long-term obligations	9,272,233	2,161,522	11,433,755	6,507,019
Other current liabilities	848,929	1,186,193	2,035,122	5,542,811
Total current liabilities	143,240,286	25,959,138	169,199,424	22,709,269
Noncurrent liabilities:				
Loans payable	12,172	—	12,172	11,354
Lottery prizes and annuities	—	540,710	540,710	—
Compensated absences payable	4,286,736	268,832	4,555,568	715,909
Workers' compensation benefits payable	6,010,564	12,031	6,022,595	1,702,657
Commercial paper and other borrowings	1,010,795	638,238	1,649,033	121,400
Lease liability	2,197,807	367,099	2,564,906	2,879,398
Subscription liability	70,056	55,516	125,572	169,258
General obligation bonds payable	75,181,146	900,922	76,082,068	—
Revenue bonds payable	15,750,938	15,001,772	30,752,710	34,006,398
Mandated cost claims payable	1,785,202	—	1,785,202	—
Net other postemployment benefits liability	73,312,584	16,862,094	90,174,678	20,026,236
Net pension liability	72,757,544	9,015,766	81,773,310	12,243,702
Revenues received in advance	—	4,208	4,208	17,360
Other noncurrent liabilities	5,991,716	320,739	6,312,455	2,912,698
Total noncurrent liabilities	258,367,260	43,987,927	302,355,187	74,806,370
Total liabilities	**401,607,546**	**69,947,065**	**471,554,611**	**97,515,639**
DEFERRED INFLOWS OF RESOURCES	19,839,385	6,340,818	26,180,203	16,488,924
Total liabilities and deferred in flows of resources	**$ 421,446,931**	**$ 76,287,883**	**$ 497,734,814**	**$ 114,004,563**

(continued)

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

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

Statement of Net Position (continued)

June 30, 2025

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	$ 137,255,696	$ 4,014,699	$ 141,270,395	$ 21,946,390
Restricted:				
Nonexpendable - endowments	—	1,605	1,605	11,540,222
Expendable:				
Endowments and gifts	—	—	—	22,512,967
General government	8,165,681	139,167	8,304,848	—
Education	1,073,823	283,677	1,357,500	4,512,498
Health and human services	7,413,526	2,799,664	10,213,190	—
Natural resources and environmental protection	9,036,642	3,927,214	12,963,856	—
Business, consumer services and housing	8,147,944	95	8,148,039	—
Transportation	11,055,236	327	11,055,563	—
Corrections and rehabilitation	665,224	14,105	679,329	—
Unemployment programs	—	3,560,211	3,560,211	—
Indenture	—	—	—	857,444
Statute	—	—	—	4,778,609
Budget stabilization	18,291,422	—	18,291,422	—
Other purposes	—	—	—	582,547
Total expendable	63,849,498	10,724,460	74,573,958	33,244,065
Unrestricted	(163,244,415)	(33,214,502)	(196,458,917)	(24,484,116)
Total net position (deficit)	**37,860,779**	**(18,473,738)**	**19,387,041**	**42,246,561**
Total liabilities, deferred inflows of resources, and net position	**$ 459,307,710**	**$ 57,814,145**	**$ 517,121,855**	**$ 156,251,124**

(concluded)

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

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

Statement of Activities

Year Ended June 30, 2025

(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities:								
General government	$ 27,779,495	$ 6,856,175	$ 7,713,184	$ —	$ (13,210,136)		$ (13,210,136)	
Education	111,485,163	88,036	10,096,459	—	(101,300,668)		(101,300,668)	
Health and human services	267,963,925	20,351,921	142,557,373	—	(105,054,631)		(105,054,631)	
Natural resources and environmental protection	17,002,436	8,694,375	1,356,939	—	(6,951,122)		(6,951,122)	
Business, consumer services, and housing	4,676,884	1,684,583	411,489	—	(2,580,812)		(2,580,812)	
Transportation	24,890,406	10,471,329	2,839,062	3,222,765	(8,357,250)		(8,357,250)	
Corrections and rehabilitation	17,182,052	8,876	83,236	—	(17,089,940)		(17,089,940)	
Interest on long-term debt	3,825,128	—	—	—	(3,825,128)		(3,825,128)	
Total governmental activities	474,805,489	48,155,295	165,057,742	3,222,765	(258,369,687)		(258,369,687)	
Business-type activities:								
Water Resources	1,557,452	1,581,506	—	—		24,054	24,054	
State Lottery	8,997,179	9,004,421	—	—		7,242	7,242	
Unemployment Programs	21,370,913	21,672,895	—	—		301,982	301,982	
California State University	12,923,303	4,802,019	3,137,773	835		(4,982,676)	(4,982,676)	
State Water Pollution Control Revolving	74,652	115,751	329,503	—		370,602	370,602	
Safe Drinking Water State Revolving	45,918	37,065	235,382	—		226,529	226,529	
Housing Loan	61,719	78,344	—	—		16,625	16,625	
Other enterprise programs	143,999	132,617	—	—		(11,382)	(11,382)	
Total business-type activities	45,175,135	37,424,618	3,702,658	835		(4,047,024)	(4,047,024)	
Total primary government	**$ 519,980,624**	**$ 85,579,913**	**$ 168,760,400**	**$ 3,223,600**	**$ (258,369,687)**	**$ (4,047,024)**	**$ (262,416,711)**	
Component Units								
University of California	59,173,221	42,053,266	14,782,203	40,698				$ (2,297,054)
California Housing Finance Agency	145,222	64,184	—	—				(81,038)
Nonmajor component units	3,150,596	959,150	1,407,886	28,695				(754,865)
Total component units	**$ 62,469,039**	**$ 43,076,600**	**$ 16,190,089**	**$ 69,393**				**$ (3,132,957)**
General revenues:								
Personal income taxes					$ 136,914,382	$ —	$ 136,914,382	$ —
Sales and use taxes					53,631,984	—	53,631,984	—
Corporation taxes					42,314,846	—	42,314,846	—
Managed care organization enrollment tax					12,701,905	—	12,701,905	—
Motor vehicle excise tax					9,466,839	—	9,466,839	—
Insurance taxes					4,278,061	—	4,278,061	—
Other taxes					3,651,215	—	3,651,215	—
Investment and interest income (loss)					3,290,200	—	3,290,200	7,127,081
Escheat					969,528	—	969,528	—
Other					—	—	—	4,258,590
Transfers					(5,349,759)	5,349,759	—	—
Total general revenues and transfers					**261,869,201**	**5,349,759**	**267,218,960**	**11,385,671**
Change in net position					3,499,514	1,302,735	**4,802,249**	8,252,714
Net position (deficit) – beginning, as previously reported					**34,435,206**	**(19,790,770)**	**14,644,436**	**32,998,913**
Error corrections					1,367,911	354	1,368,265	507,522
Change within financial reporting entity					(27,081)	—	(27,081)	—
Changes in accounting principle					(1,414,771)	13,943	(1,400,828)	487,412
Net position (deficit) – beginning, as restated					**34,361,265**	**(19,776,473)**	**14,584,792**	**33,993,847**
Net position (deficit) – ending					**$ 37,860,779**	**$ (18,473,738)**	**$ 19,387,041**	**$ 42,246,561**

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

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Fund Financial Statements

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

Balance Sheet

Governmental Funds

June 30, 2025

(amounts in thousands)

	General	Federal	Environmental and Natural Resources	Nonmajor Governmental	Total
ASSETS					
Cash and pooled investments	$ 65,359,964	$ 1,418,887	$ 25,385,330	$ 36,415,414	$ 128,579,595
Investments	—	—	—	820,052	820,052
Receivables (net)	45,676,562	3,832,105	535,773	14,714,434	64,758,874
Due from other funds	9,426,858	—	350,038	3,778,663	13,555,559
Due from other governments	6,749,392	44,804,502	8,337	1,329,904	52,892,135
Interfund receivables	2,704,541	—	1,213,648	2,765,873	6,684,062
Loans receivable	1,979,581	518,709	1,171,846	3,842,464	7,512,600
Other assets	133,521	22,346	4,284	36,178	196,329
Total assets	**$ 132,030,419**	**$ 50,596,549**	**$ 28,669,256**	**$ 63,702,982**	**$ 274,999,206**
LIABILITIES					
Accounts payable	$ 18,734,334	$ 32,969,581	$ 1,232,362	$ 10,434,677	$ 63,370,954
Due to other funds	1,569,091	6,107,120	352,370	5,330,534	13,359,115
Due to component units	485,014	476,365	5,830	75,932	1,043,141
Due to other governments	24,159,266	9,617,720	858,847	7,389,808	42,025,641
Interfund payables	4,401,293	—	2,227	25,256	4,428,776
Benefits payable	—	17,788	—	—	17,788
Revenues received in advance	53,556	844,143	235,609	338,109	1,471,417
Tax overpayments	19,273,187	—	—	—	19,273,187
Deposits	6,133	—	235	525,829	532,197
Unclaimed property liability	1,877,797	—	—	—	1,877,797
Other liabilities	567,477	27,650	28,104	1,043,997	1,667,228
Total liabilities	**71,127,148**	**50,060,367**	**2,715,584**	**25,164,142**	**149,067,241**
DEFERRED INFLOWS OF RESOURCES	3,054,677	3,511	15,619	758,687	3,832,494
Total liabilities and deferred inflows of resources	**74,181,825**	**50,063,878**	**2,731,203**	**25,922,829**	**152,899,735**
FUND BALANCES					
Nonspendable	3,354,122	—	—	16,235	3,370,357
Restricted	19,463,236	953,733	8,637,229	34,651,012	63,705,210
Committed	2,099,524	—	17,300,824	3,027,014	22,427,362
Assigned	29,421,537	—	—	85,892	29,507,429
Unassigned	3,510,175	(421,062)	—	—	3,089,113
Total fund balances (deficit)	**57,848,594**	**532,671**	**25,938,053**	**37,780,153**	**122,099,471**
Total liabilities, deferred inflows of resources, and fund balances	**$ 132,030,419**	**$ 50,596,549**	**$ 28,669,256**	**$ 63,702,982**	**$ 274,999,206**

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

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

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

(amounts in thousands)

Total fund balances – governmental funds		**$ 122,099,471**
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	22,143,494	
State highway infrastructure	86,499,369	
Collections – nondepreciable	21,691	
Buildings and other depreciable property	40,138,860	
Intangible assets – amortizable	7,886,481	
Less: accumulated depreciation/amortization	(22,681,838)	
Construction/development in progress	25,964,029	
Intangible assets – nonamortizable	1,425,599	
		161,397,685
• 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.		3,496,519
• 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.		(9,541,854)
• Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		(7,472,470)
• Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds.		15,404,890
• 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.		(580,450)
• General obligation bonds and related accrued interest totaling $72,884,174, revenue bonds totaling $6,983,575, and commercial paper totaling $1,010,795 are not due and payable in the current period and are not reported in the funds.		(80,878,544)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(6,582,934)	
Lease, subscription, and financed purchase liability	(2,586,936)	
Net pension liability	(71,551,482)	
Net other postemployment benefits liability	(71,535,023)	
Mandated cost claims	(1,785,202)	
Workers' compensation	(5,960,539)	
Pollution remediation obligations	(1,817,031)	
Proposition 98 funding guarantee	(1,916,848)	
Other noncurrent liabilities	(2,328,473)	
		(166,064,468)
Net position of governmental activities		**$ 37,860,779**

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2025

(amounts in thousands)

	General	Federal	Environmental and Natural Resources	Nonmajor Governmental	Total
REVENUES					
Personal income taxes	$ 134,221,314	$ —	$ —	$ 2,269,742	$ 136,491,056
Sales and use taxes	33,680,105	—	—	19,949,617	53,629,722
Corporation taxes	42,299,552	—	—	—	42,299,552
Motor vehicle excise taxes	168,853	—	75,033	9,222,953	9,466,839
Insurance taxes	4,278,061	—	—	—	4,278,061
Managed care organization enrollment tax	—	—	—	12,701,905	12,701,905
Other taxes	661,069	—	284,911	2,719,341	3,665,321
Intergovernmental	341,540	168,281,474	—	5,874,405	174,497,419
Licenses and permits	5,599	—	493,762	10,993,869	11,493,230
Charges for services	364,036	—	147,476	687,807	1,199,319
Fees	18,431	—	3,209,156	14,095,984	17,323,571
Penalties	649,929	33	83,325	501,287	1,234,574
Investment and interest	3,169,096	101,484	991,046	1,217,395	5,479,021
Escheat	969,434	—	—	1,556	970,990
Other	764,182	15,021	4,104,841	2,922,451	7,806,495
Total revenues	**221,591,201**	**168,398,012**	**9,389,550**	**83,158,312**	**482,537,075**
EXPENDITURES					
Current:					
General government	8,926,889	4,722,130	316,392	15,713,505	29,678,916
Education	101,426,636	10,103,619	3,638	715,955	112,249,848
Health and human services	78,939,314	142,546,040	51,052	45,896,296	267,432,702
Natural resources and environmental protection	7,896,845	1,201,658	6,599,656	604,518	16,302,677
Businesses, consumer services, and housing	2,086,799	657,082	106,557	1,694,745	4,545,183
Transportation	2,754,638	6,061,537	1,613,006	18,234,184	28,663,365
Corrections and rehabilitation	13,650,161	83,283	—	2,446,271	16,179,715
Capital outlay	185,760	19,805	102,584	422,848	730,997
Debt service:					
Bond, commercial paper, and lease principal retirement	3,062,982	13,872	1,073,216	4,443,579	8,593,649
Interest and fiscal charges	2,896,883	701	11,186	1,002,632	3,911,402
Total expenditures	**221,826,907**	**165,409,727**	**9,877,287**	**91,174,533**	**488,288,454**
Excess (deficiency) of revenues over (under) expenditures	(235,706)	2,988,285	(487,737)	(8,016,221)	(5,751,379)
OTHER FINANCING SOURCES (USES)					
General obligation bonds and commercial paper issued	—	—	1,203,575	3,607,390	4,810,965
Refunding debt issued	—	—	774,615	2,966,600	3,741,215
Payment to refund/remarket long-term debt	—	—	(220,362)	(567,163)	(787,525)
Premium on bonds issued	124,231	—	121,690	296,198	542,119
Long-term capital financing issued	174,817	14,923	20,154	132,360	342,254
Transfers in	3,203,413	2,100	717,114	6,296,767	10,219,394
Transfers out	(9,767,418)	(2,829,848)	(293,327)	(2,748,143)	(15,638,736)
Total other financing sources (uses)	**(6,264,957)**	**(2,812,825)**	**2,323,459**	**9,984,009**	**3,229,686**
Net change in fund balances	(6,500,663)	175,460	1,835,722	1,967,788	(2,521,693)
Fund balances – beginning, as previously reported	**63,392,765**	**357,211**	**23,867,622**	**35,780,250**	**123,397,848**
Error corrections	956,492	—	234,709	59,196	1,250,397
Change to or within the financial reporting entity	—	—	—	(27,081)	(27,081)
Fund balances – beginning, as restated	**64,349,257**	**357,211**	**24,102,331**	**35,812,365**	**124,621,164**
Fund balances (deficits) – ending	**$ 57,848,594**	**$ 532,671**	**$ 25,938,053**	**$ 37,780,153**	**$ 122,099,471**

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

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		**$ (2,521,693)**
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	6,579,650	
Disposal of assets	(407,709)	
Depreciation expense, net of asset disposal	(1,229,552)	
		4,942,389
• Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds.		1,056,082
• 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.		195,764
• 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 Obligations Bonds	Revenue Bonds	Commercial Paper	Total	
Debt issued	(7,679,445)	—	(872,735)	(8,552,180)	
Premium on debt issued	(542,120)	—	—	(542,120)	
Accreted interest	—	(48,704)	—	(48,704)	
Principal repayments	6,778,365	320,080	893,110	7,991,555	
Payments to refund long-term debt	787,526	—	—	787,526	
Related expenses not reported in governmental funds:					
Premium/discount amortization	546,422	147	—	546,569	
Deferred gain/loss on refunding	44,905	(30,694)	—	14,211	
Accrued interest	(43,782)	612	—	(43,170)	
	(108,129)	241,441	20,375		153,687

(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	(156,033)	
Lease, subscription, and financed purchase liability	29,400	
Net pension liability	865,533	
Net other postemployment benefits liability	980,973	
Mandated cost claims	102,070	
Workers' compensation	(319,997)	
Pollution remediation obligations	(47,929)	
Other noncurrent liabilities	(1,780,732)	
		(326,715)
Change in net position of governmental activities		**$ 3,499,514**

(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2025

(amounts in thousands)

	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
	Business-type Activities – Enterprise Funds						Governmental Activities
ASSETS							
Current assets:							
Cash and pooled investments	$ 1,139,038	$ 623,039	$ 4,308,811	$ 1,947,307	$ 1,358,344	$ 9,376,539	$ 3,643,209
Amount on deposit with U.S. Treasury	—	—	345,933	—	—	345,933	—
Investments	—	56,390	—	3,794,274	—	3,850,664	—
Restricted assets:							
Cash and pooled investments	—	—	—	—	420,686	420,686	837,967
Due from other governments	—	—	—	—	234,099	234,099	—
Contracts and installments receivable	—	—	—	—	—	—	647,398
Receivables (net)	126,760	779,716	1,301,980	446,875	152,076	2,807,407	77,370
Due from other funds	—	10,575	141,099	2,833	32,425	186,932	878,413
Due from other governments	94,532	—	29,470	—	108,592	232,594	25,429
Prepaid items	—	—	—	80,822	40	80,862	236,855
Inventories	5,454	19,713	—	—	8,610	33,777	90,330
Other current assets	—	7,653	—	—	—	7,653	—
Total current assets	1,365,784	1,497,086	6,127,293	6,272,111	2,314,872	17,577,146	6,436,971
Noncurrent assets:							
Restricted assets:							
Cash and pooled investments	200,103	—	—	—	—	200,103	89,989
Investments	50,690	—	—	—	—	50,690	—
Loans receivable	—	—	—	—	5,658,667	5,658,667	—
Investments	—	466,182	—	2,682,602	15,115	3,163,899	—
Contracts and installments receivable	—	—	—	—	—	—	7,973,725
Receivables (net)	—	—	1,081,218	807,105	—	1,888,323	5,842
Interfund receivables	180,600	—	402,479	—	3,761	586,840	40,182
Loans receivable	5,472	—	1,889	27,038	4,029,388	4,063,787	3,902
Long-term prepaid charges	540,662	2,954	—	—	—	543,616	81
Capital assets:							
Land	224,530	18,798	—	245,482	1,273	490,083	2,080
Collections - nondepreciable	—	—	—	40,374	—	40,374	—
Buildings and other depreciable property	7,875,740	305,484	34,537	15,744,677	27,509	23,987,947	680,672
Intangible assets - amortizable	119,343	34,594	244,119	1,136,952	25,468	1,560,476	756,236
Less: accumulated depreciation/amortization	(3,074,911)	(186,321)	(120,423)	(6,980,015)	(32,520)	(10,394,190)	(796,090)
Construction/development in progress	1,740,213	—	—	1,782,986	—	3,523,199	2,829,644
Intangible assets - nonamortizable	119,253	—	—	11,844	—	131,097	—
Other noncurrent assets	—	—	—	19,810	9,218	29,028	—
Total noncurrent assets	7,981,695	641,691	1,643,819	15,518,855	9,737,879	35,523,939	11,586,263
Total assets	**9,347,479**	**2,138,777**	**7,771,112**	**21,790,966**	**12,052,751**	**53,101,085**	**18,023,234**
DEFERRED OUTFLOWS OF RESOURCES	344,144	147,053	200,525	4,604,630	21,606	5,317,958	738,309
Total assets and deferred outflows of resources	**$ 9,691,623**	**$ 2,285,830**	**$ 7,971,637**	**$ 26,395,596**	**$ 12,074,357**	**$ 58,419,043**	**$ 18,761,543**

(continued)

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

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

Statement of Net Position (continued)

Proprietary Funds

June 30, 2025

(amounts in thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities
	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	$ 178,583	$ 96,470	$ 190,599	$ 480,094	$ 39,848	$ 985,594	$ 660,749
Due to other funds	153,014	407,391	—	—	16,047	576,452	793,322
Due to other governments	372,566	—	20,604,884	—	1,506	20,978,956	32,614
Revenues received in advance	—	2,543	—	256,574	24	259,141	1,658,935
Deposits	—	—	—	—	—	—	1,149
Contracts and notes payable	—	—	—	—	—	—	19,365
Interest payable	9,592	—	—	—	38,273	47,865	109,364
Benefits payable	—	—	339,793	—	—	339,793	—
Current portion of long-term obligations	279,362	1,025,996	23,153	679,393	153,618	2,161,522	838,723
Other current liabilities	—	150	84,702	1,101,341	—	1,186,193	29,223
Total current liabilities	993,117	1,532,550	21,243,131	2,517,402	249,316	26,535,516	4,143,444
Noncurrent liabilities:							
Interfund payables	—	—	—	—	28,520	28,520	2,865,959
Lottery prizes and annuities	—	540,710	—	—	—	540,710	—
Compensated absences payable	56,328	—	38,179	159,983	14,342	268,832	196,550
Workers' compensation benefits payable	—	7,535	—	—	4,496	12,031	50,025
Commercial paper and other borrowings	349,389	—	—	288,849	—	638,238	—
Lease liability	27,454	1,804	—	321,376	16,465	367,099	194,817
Subscription liability	2,469	485	—	52,538	24	55,516	9,164
General obligation bonds payable	—	—	—	—	900,922	900,922	—
Revenue bonds payable	2,970,997	—	—	9,998,803	2,031,972	15,001,772	9,004,064
Net other postemployment benefits liability	747,062	261,314	561,120	15,251,655	40,943	16,862,094	1,777,561
Net pension liability	550,008	158,994	308,584	7,959,882	38,298	9,015,766	1,206,062
Revenues received in advance	—	—	—	4,208	—	4,208	—
Other noncurrent liabilities	80,978	—	—	236,034	3,727	320,739	4,271
Total noncurrent liabilities	4,784,685	970,842	907,883	34,273,328	3,079,709	44,016,447	15,308,473
Total liabilities	**5,777,802**	**2,503,392**	**22,151,014**	**36,790,730**	**3,329,025**	**70,551,963**	**19,451,917**
DEFERRED INFLOWS OF RESOURCES	2,617,113	70,796	101,146	3,517,752	34,011	6,340,818	402,755
Total liabilities and deferred inflows of resources	**8,394,915**	**2,574,188**	**22,252,160**	**40,308,482**	**3,363,036**	**76,892,781**	**19,854,672**
NET POSITION							
Net investment in capital assets	1,325,283	168,874	233,766	2,285,032	1,744	4,014,699	601,368
Restricted:							
Nonexpendable - endowments	—	—	—	1,605	—	1,605	—
Expendable:							
Construction	—	—	—	168,644	—	168,644	144,286
Debt service	—	—	—	18,316	293,570	311,886	—
Security for revenue bonds	—	—	—	—	3,518,061	3,518,061	—
Unemployment programs	—	—	3,560,211	—	—	3,560,211	—
Other purposes	—	—	—	96,717	3,068,941	3,165,658	—
Total expendable	—	—	3,560,211	283,677	6,880,572	10,724,460	144,286
Unrestricted	(28,575)	(457,232)	(18,074,500)	(16,483,200)	1,829,005	(33,214,502)	(1,838,783)
Total net position (deficit)	**1,296,708**	**(288,358)**	**(14,280,523)**	**(13,912,886)**	**8,711,321**	**(18,473,738)**	**(1,093,129)**
Total liabilities, deferred inflows of resources, and net position	**$ 9,691,623**	**$ 2,285,830**	**$ 7,971,637**	**$ 26,395,596**	**$ 12,074,357**	**$ 58,419,043**	**$ 18,761,543**

(concluded)

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

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

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

Proprietary Funds

Year Ended June 30, 2025

(amounts in thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities
	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
OPERATING REVENUES							
Unemployment and disability insurance	$ —	$ —	$ 21,540,039	$ —	$ —	$ 21,540,039	$ —
Lottery ticket sales	—	8,932,712	—	—	—	8,932,712	—
Power sales	97,266	—	—	—	—	97,266	—
Student tuition and fees	—	—	—	2,408,432	—	2,408,432	—
Services and sales	1,417,582	—	—	929,219	132,514	2,479,315	4,854,798
Investment and interest	—	—	—	—	169,017	169,017	52,316
Rent	—	—	—	—	—	—	326,396
Grants and contracts	—	—	—	115,647	—	115,647	—
Other	—	—	—	414,673	4,709	419,382	—
Total operating revenues	**1,514,848**	**8,932,712**	**21,540,039**	**3,867,971**	**306,240**	**36,161,810**	**5,233,510**
OPERATING EXPENSES							
Lottery prizes	—	5,994,177	—	—	—	5,994,177	—
Power purchases (net of recoverable power cost)	271,242	—	—	—	—	271,242	—
Personal services	506,120	142,050	241,195	7,598,910	76,263	8,564,538	1,053,442
Supplies	—	24,263	—	2,493,894	76,784	2,594,941	25,530
Services and charges	149,642	912,720	120,802	—	52,022	1,235,186	3,532,222
Depreciation	158,024	15,274	12,141	682,963	2,783	871,185	134,681
Scholarships and fellowships	—	—	—	1,745,166	—	1,745,166	—
Distributions to beneficiaries	—	—	20,996,686	—	—	20,996,686	—
Interest expense	—	—	—	—	39,960	39,960	377,066
Other	90,622	—	—	—	17,758	108,380	—
Total operating expenses	**1,175,650**	**7,088,484**	**21,370,824**	**12,520,933**	**265,570**	**42,421,461**	**5,122,941**
Operating income (loss)	339,198	1,844,228	169,215	(8,652,962)	40,670	(6,259,651)	110,569
NONOPERATING REVENUES (EXPENSES)							
Donations and grants	—	—	—	3,137,773	564,885	3,702,658	—
Private gifts	—	—	—	115,699	—	115,699	—
Investment and interest income (loss)	66,658	71,582	132,856	630,839	55,942	957,877	11,033
Interest expense and fiscal charges	(86,329)	(22,088)	(90)	(402,370)	(55,763)	(566,640)	(7,048)
Lottery payments for education	—	(1,886,607)	—	—	—	(1,886,607)	—
Other	(295,473)	127	—	187,510	(3,359)	(111,195)	11,627
Total nonoperating revenues (expenses)	**(315,144)**	**(1,836,986)**	**132,766**	**3,669,451**	**561,705**	**2,211,792**	**15,612**
Income (loss) before capital contributions and transfers	24,054	7,242	301,981	(4,983,511)	602,375	(4,047,859)	126,181
Capital Contributions	—	—	—	835	—	835	—
Transfers in	—	—	—	5,349,759	—	5,349,759	126,418
Transfers out	—	—	—	—	—	—	(56,835)
Change in net position	24,054	7,242	301,981	367,083	602,375	1,302,735	195,764
Total net position (deficit) – beginning, as previously reported	**1,272,654**	**(295,600)**	**(14,602,754)**	**(14,279,969)**	**8,114,899**	**(19,790,770)**	**(1,182,809)**
Error corrections	—	—	354	—	—	354	6,370
Changes in accounting principle	—	—	19,896	—	(5,953)	13,943	(112,454)
Total net position (deficit) – beginning, as restated	**1,272,654**	**(295,600)**	**(14,582,504)**	**(14,279,969)**	**8,108,946**	**(19,776,473)**	**(1,288,893)**
Total net position (deficit) – ending	**$ 1,296,708**	**$ (288,358)**	**$ (14,280,523)**	**$ (13,912,886)**	**$ 8,711,321**	**$ (18,473,738)**	**$ (1,093,129)**

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

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

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2025

(amounts in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers/employers	$ 1,454,224	$ 8,917,804	$ 21,458,343	$ 3,211,201	$ 281,982	$ 35,323,554	$ 11,743
Receipts from interfund services provided	—	—	—	—	108,127	108,127	5,553,241
Payments to suppliers	(381,300)	(284,177)	(231,049)	(2,452,665)	(155,692)	(3,504,883)	(3,564,439)
Payments to employees	(506,120)	(129,211)	(209,822)	(6,973,601)	(75,644)	(7,894,398)	(1,049,177)
Payments for interfund services used	—	(16,871)	(61,810)	—	(504)	(79,185)	(75,277)
Payments for lottery prizes	—	(6,698,075)	—	—	—	(6,698,075)	—
Claims paid to other than employees	—	(614,805)	(21,070,038)	—	—	(21,684,843)	—
Other receipts (payments)	(10,591)	799,588	1,483,939	(1,341,611)	(891,340)	39,985	(391,417)
Net cash provided by (used in) operating activities	**556,213**	**1,974,253**	**1,369,563**	**(7,556,676)**	**(733,071)**	**(4,389,718)**	**484,674**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Receipts from / (payment on) notes receivable and leases receivable	—	—	16,460	(141,760)	(676)	(125,976)	709
Proceeds from / (payment on) loans and interfund borrowings	—	—	—	(3,992)	800	(3,192)	(197,654)
Proceeds from general obligation bonds	—	—	—	—	300,000	300,000	
Retirement of general obligation bonds	—	—	—	—	(35,385)	(35,385)	—
Proceeds from revenue bonds	—	—	—	58,240	80,000	138,240	—
Retirement of revenue bonds	—	—	—	(29,005)	(139,180)	(168,185)	—
Interest received	—	—	—	1,458	—	1,458	26
Interest paid	—	—	—	(21,499)	(77,931)	(99,430)	—
Transfers in	—	—	—	4,878,462	223	4,878,685	130,039
Transfers out	—	—	—	—	—	—	(56,835)
Grants received	—	—	—	3,341,309	562,420	3,903,729	—
Lottery payments for education	—	(2,051,363)	—	—	—	(2,051,363)	—
Net cash provided by (used in) noncapital financing activities	**—**	**(2,051,363)**	**16,460**	**8,083,213**	**690,271**	**6,738,581**	**(123,715)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(428,416)	(2,502)	(4,514)	(1,235,928)	(2,248)	(1,673,608)	(1,243,577)
Proceeds from sale of capital assets	—	52	—	3,274	352	3,678	102,725
Proceeds from notes payable and commercial paper	246,638	—	—	—	—	246,638	—
Principal paid on notes payable and commercial paper	(382,100)	—	—	—	—	(382,100)	—
Proceeds from long-term capital financing	—	—	—	—	—	—	16,341
Payment on long-term capital financing	—	(9,260)	—	(418,448)	(1,837)	(429,545)	(27,567)
Proceeds from revenue bonds	329,200	—	—	906,443	—	1,235,643	1,940,416
Retirement of general obligation/revenue bonds	(237,409)	—	—	—	—	(237,409)	(1,432,590)
Interest paid	(75,645)	—	(90)	(396,876)	(54)	(472,665)	(7,074)
Grants received	2,334	—	—	45,705	—	48,039	—
Net cash used in capital and related financing activities	**(545,398)**	**(11,710)**	**(4,604)**	**(1,095,830)**	**(3,787)**	**(1,661,329)**	**(651,326)**
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	(252,172)	(14,907)	—	(12,511,477)	(1,016)	(12,779,572)	—
Proceeds from maturity and sale of investments	252,600	86,335	128,188	12,803,143	—	13,270,266	—
Proceeds from / (issuance of) loans receivable	668	—	—	—	—	668	—
Earnings on investments	65,776	46,463	132,856	404,536	58,501	708,132	11,033
Net cash provided by (used in) investing activities	**66,872**	**117,891**	**261,044**	**696,202**	**57,485**	**1,199,494**	**11,033**
Net increase (decrease) in cash and pooled investments	77,687	29,071	1,642,463	126,909	10,898	1,887,028	(279,334)
Cash and pooled investments – beginning	**1,261,454**	**593,968**	**2,666,348**	**1,820,398**	**1,768,132**	**8,110,300**	**4,850,499**
Cash and pooled investments – ending	**$ 1,339,141**	**$ 623,039**	**$ 4,308,811**	**$ 1,947,307**	**$ 1,779,030**	**$ 9,997,328**	**$ 4,571,165**

(continued)

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

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

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2025

(amounts in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	$ 339,198	$ 1,844,228	$ 169,215	$ (8,652,962)	$ 40,670	$ (6,259,651)	$ 110,567
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	158,024	15,274	12,141	683,001	2,783	871,223	134,681
Provisions and allowances	—	13,333	—	—	(702)	12,631	—
Amortization of premiums and discounts	—	—	—	—	(1,770)	(1,770)	(123,057)
Amortization of long-term prepaid charges and credits	86,309	—	—	—	—	86,309	29
Other	(10,591)	232	—	(3,187)	(939)	(14,485)	9,247
Change in account balances:							
Receivables	(22,324)	(50,231)	(81,695)	846	(5,831)	(159,235)	(1,917)
Due from other funds	—	—	(37,851)	(2,430)	2,533	(37,748)	(60,221)
Due from other governments	(12,512)	1	(3,418)	—	(1,743)	(17,672)	(7,418)
Prepaid items	—	2,658	—	(1,258)	(28)	1,372	(44,846)
Inventories	(52)	(12)	—	—	671	607	5,914
Contracts and installments receivable	—	—	—	—	—	—	624,949
Leases receivable	—	—	—	—	(13,260)	(13,260)	165
Other current assets	—	(411)	—	—	(1,539)	(1,950)	—
Loans receivable	—	—	—	—	(749,986)	(749,986)	—
Deferred outflow of resources	—	—	23,929	1,313,658	8,730	1,346,317	108,534
Accounts payable	44,984	41,454	(110,275)	(30,045)	(2,932)	(56,814)	20,336
Due to other funds	2,398	17,583	(10,138)	—	512	10,355	(137,969)
Due to other governments	(25,299)	—	1,458,408	—	1,336	1,434,445	9,709
Contracts and notes payable	—	—	—	—	—	—	(9,448)
Interest payable	—	—	—	—	(4,308)	(4,308)	3,673
Revenues received in advance	—	10	—	(167,456)	(2)	(167,448)	(45,506)
Other current liabilities	—	6,502	15,128	(25,354)	—	(3,724)	1,701
Benefits payable	—	—	(73,324)	59,815	—	(13,509)	—
Lottery prizes and annuities	—	95,432	—	—	—	95,432	—
Compensated absences payable	—	—	112	6,077	1,418	7,607	(2,882)
Other noncurrent liabilities	(3,922)	(11,800)	28,535	383,461	(5,583)	390,691	(1,312)
Deferred inflow of resources	—	—	(21,204)	(1,120,842)	(3,101)	(1,145,147)	(110,255)
Total adjustments	217,015	130,025	1,200,348	1,096,286	(773,741)	1,869,933	374,107
Net cash provided by (used in) operating activities	**$ 556,213**	**$ 1,974,253**	**$ 1,369,563**	**$ (7,556,676)**	**$ (733,071)**	**$ (4,389,718)**	**$ 484,674**
							(concluded)
Noncash investing, capital, and financing activities:							
Unclaimed lottery prizes directly allocated to another entity	$ —	$ 44,969	$ —	$ —	$ —	$ 44,969	$ —
Amortization/defeasance of bond premium and discount	45,633	—	—	29,985	—	75,618	—
Unrealized gain/loss on investments	—	8,085	—	230,916	—	239,001	—
Amortization of deferred loss on refundings	11,708	—	—	6,974	—	18,682	—
State's contribution for pension and OPEB	—	—	—	471,297	—	471,297	—
Other assets paid through long-term debt	—	—	—	163,836	—	163,836	—
Gifts in kind	—	—	—	113,549	—	113,549	—
Change / transfer of capital assets	—	—	—	140,069	—	140,069	1,874,889
Other miscellaneous noncash transactions	—	39,298	—	—	3,406	42,704	40

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

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

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2025

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Custodial
ASSETS				
Cash and pooled investments	$ 4,934,784	$ 152,351	$ 24,489,901	$ 2,716,564
Investments, at fair value:				
Short-term	38,624,730	312,614	1,196	—
Equity securities	413,518,936	11,206,432	148,826	—
Debt securities	256,395,809	3,288,678	162,799	—
Real estate	117,914,941	366,447	—	—
Securities lending collateral	47,528,250	—	—	—
Other	241,059,722	4,121,665	—	—
Total investments	1,115,042,388	19,295,836	312,821	—
Receivables (net)	60,443,056	8,096	262,238	3,452,613
Due from other funds	44,731	—	—	63,254
Due from other governments	119	—	—	1,301
Interfund receivable	—	—	—	12,172
Loans receivable	6,303,362	—	—	228
Other assets	1,086,180	428,599	—	15
Total assets	**1,187,854,620**	**19,884,882**	**25,064,960**	**6,246,147**
DEFERRED OUTFLOWS OF RESOURCES	319,947	—	11	170
Total assets and deferred outflows of resources	**1,188,174,567**	**19,884,882**	**25,064,971**	**6,246,317**
LIABILITIES				
Accounts payable	6,914,369	20,902	82	1,055,525
Due to other governments	—	—	261,735	3,307,234
Tax overpayments	—	—	—	(10)
Benefits payable	5,214,605	—	—	—
Revenues received in advance	—	6,473	—	20
Deposits	—	428,501	—	987,122
Securities lending obligations	64,847,494	—	—	—
Loans payable	6,251,450	—	—	—
Other liabilities	111,213,857	—	103	17,387
Total liabilities	**194,441,775**	**455,876**	**261,920**	**5,367,278**
DEFERRED INFLOWS OF RESOURCES	355,084	—	56	215
Total liabilities and deferred inflows of resources	**194,796,859**	**455,876**	**261,976**	**5,367,493**
NET POSITION				
Restricted:				
Pension benefits	936,417,052	—	313,328	—
Other postemployment benefits	25,213,244	—	—	—
Deferred compensation participants	31,735,129	—	—	—
Pool participants	—	—	24,489,667	—
Individuals, organizations, or other governments	12,283	19,429,006	—	878,824
Total net position	**$ 993,377,708**	**$ 19,429,006**	**$ 24,802,995**	**$ 878,824**

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2025

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Custodial
ADDITIONS				
Contributions:				
Employer	$ 38,282,837	$ —	$ 54,238	$ 30,086
Plan member	12,984,254	—	—	—
Non-employer	4,263,762	—	—	—
Total contributions	55,530,853	—	54,238	30,086
Investment income:				
Net appreciation in fair value of investments	85,101,568	121,997	26,759	—
Interest, dividends, and other investment income	19,344,683	1,807,810	978,702	8,129
Less: investment expense	(5,132,438)	(17,610)	(227)	—
Net investment income	99,313,813	1,912,197	1,005,234	8,129
Receipts from depositors	—	5,224,531	18,006,954	—
Other	434,606	—	650	273,862
Total additions	**155,279,272**	**7,136,728**	**19,067,076**	**312,077**
DEDUCTIONS				
Distributions paid and payable to participants	59,189,686	—	976,310	56,606
Refunds of contributions	543,959	—	—	—
Administrative expense	668,244	1,010	2,513	1,523
Interest expense	317,315	—	—	—
Payments to and for depositors	850,107	4,473,917	15,522,621	941
Total deductions	**61,569,311**	**4,474,927**	**16,501,444**	**59,070**
Change in net position	93,709,961	2,661,801	2,565,632	253,007
Net position – beginning, as previously reported	**899,667,747**	**16,740,124**	**22,237,363**	**684,083**
Error corrections	—	—	—	(58,266)
Change to or within the financial reporting entity	—	27,081	—	—
Net position – beginning, as restated	**899,667,747**	**16,767,205**	**22,237,363**	**625,817**
Net position – ending	**$ 993,377,708**	**$ 19,429,006**	**$ 24,802,995**	**$ 878,824**

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

Discretely Presented Component Units Financial Statements

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

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2025

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 886,158	$ 2,156,540	$ 2,081,131	$ 5,123,829
Investments	9,300,004	2	955,738	10,255,744
Restricted assets:				
Cash and pooled investments	—	—	1,277,337	1,277,337
Investments	—	—	210,958	210,958
Receivables (net)	9,252,035	246,150	870,500	10,368,685
Due from primary government	1,043,061	—	80	1,043,141
Due from other governments	223,075	—	—	223,075
Prepaid items	—	573	1,914	2,487
Inventories	522,598	—	—	522,598
Other current assets	692,135	68,519	50,990	811,644
Total current assets	21,919,066	2,471,784	5,448,648	29,839,498
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	33,858	33,858
Investments	—	—	246,432	246,432
Investments	53,251,823	454,476	3,794,245	57,500,544
Receivables (net)	2,901,937	—	698,513	3,600,450
Loans receivable	—	3,203,899	580,822	3,784,721
Long-term prepaid charges	—	—	89	89
Capital assets:				
Land	2,334,215	—	218,685	2,552,900
Collections - nondepreciable	702,209	—	13,401	715,610
Buildings and other depreciable property	74,119,460	706	2,831,126	76,951,292
Intangible assets - amortizable	6,552,482	27,987	351,094	6,931,563
Less: accumulated depreciation/amortization	(40,700,292)	(9,864)	(1,500,223)	(42,210,379)
Construction/development in progress	9,691,226	—	180,486	9,871,712
Intangible assets - nonamortizable	—	—	318	318
Other noncurrent assets	876,337	33,276	71,820	981,433
Total noncurrent assets	109,729,397	3,710,480	7,520,666	120,960,543
Total assets	**131,648,463**	**6,182,264**	**12,969,314**	**150,800,041**
DEFERRED OUTFLOWS OF RESOURCES	5,306,903	19,948	124,232	5,451,083
Total assets and deferred outflows of resources	**$ 136,955,366**	**$ 6,202,212**	**$ 13,093,546**	**$ 156,251,124**

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ 4,244,952	$ 41,995	$ 1,616,728	$ 5,903,675
Revenues received in advance	1,815,660	—	200,864	2,016,524
Deposits	—	246,031	1,536	247,567
Contracts and notes payable	—	—	60,912	60,912
Interest payable	—	5,192	2,925	8,117
Securities lending obligations	2,422,644	—	—	2,422,644
Current portion of long-term obligations	6,350,001	16,422	140,596	6,507,019
Other current liabilities	5,007,841	122,756	412,214	5,542,811
Total current liabilities	19,841,098	432,396	2,435,775	22,709,269
Noncurrent liabilities:				
Compensated absences payable	685,173	3,425	27,311	715,909
Workers' compensation benefits payable	1,697,952	—	4,705	1,702,657
Loans payable	—	—	11,354	11,354
Commercial paper and other borrowings	—	—	121,400	121,400
Lease liability	2,685,017	17,490	176,891	2,879,398
Subscription liability	165,697	—	3,561	169,258
Revenue bonds payable	32,700,128	450,425	855,845	34,006,398
Net other postemployment benefits liability	19,810,706	55,550	159,980	20,026,236
Net pension liability	11,939,036	35,204	269,462	12,243,702
Revenues received in advance	—	—	17,360	17,360
Other noncurrent liabilities	1,519,001	557,574	836,123	2,912,698
Total noncurrent liabilities	71,202,710	1,119,668	2,483,992	74,806,370
Total liabilities	**91,043,808**	**1,552,064**	**4,919,767**	**97,515,639**
DEFERRED INFLOWS OF RESOURCES	15,909,756	45,643	533,525	16,488,924
Total liabilities and deferred inflows of resources	**106,953,564**	**1,597,707**	**5,453,292**	**114,004,563**
NET POSITION				
Net investment in capital assets	21,092,930	(768)	854,228	21,946,390
Restricted:				
Nonexpendable - endowments	9,355,363	—	2,184,859	11,540,222
Expendable:				
Endowments and gifts	22,467,182	—	45,785	22,512,967
Education	2,738,350	—	1,774,148	4,512,498
Indenture	—	857,444	—	857,444
Statute	—	3,292,381	1,486,228	4,778,609
Other purposes	—	495,285	87,262	582,547
Total expendable	25,205,532	4,645,110	3,393,423	33,244,065
Unrestricted	(25,652,023)	(39,837)	1,207,744	(24,484,116)
Total net position	**30,001,802**	**4,604,505**	**7,640,254**	**42,246,561**
Total liabilities, deferred inflows of resources, and net position	**$ 136,955,366**	**$ 6,202,212**	**$ 13,093,546**	**$ 156,251,124**

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

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

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2025

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	$ 35,437,245	$ —	$ 771,767	$ 36,209,012
Scholarships and fellowships	1,097,826	—	127,384	1,225,210
Supplies	7,612,143	—	22,814	7,634,957
Services and charges	470,773	57,140	1,965,998	2,493,911
Department of Energy laboratories	1,194,419	—	—	1,194,419
Depreciation	3,124,013	2,429	121,242	3,247,684
Interest expense and fiscal charges	1,318,340	27,150	59,199	1,404,689
Other	8,918,462	58,503	82,192	9,059,157
Total operating expenses	**59,173,221**	**145,222**	**3,150,596**	**62,469,039**
PROGRAM REVENUES				
Charges for services	42,053,266	64,184	959,150	43,076,600
Operating grants and contributions	14,782,203	—	1,407,886	16,190,089
Capital grants and contributions	40,698	—	28,695	69,393
Total program revenues	**56,876,167**	**64,184**	**2,395,731**	**59,336,082**
Net revenues (expenses)	(2,297,054)	(81,038)	(754,865)	(3,132,957)
GENERAL REVENUES				
Investment and interest income (loss)	6,306,093	220,009	600,979	7,127,081
Other	3,170,394	84,170	1,004,026	4,258,590
Total general revenues	**9,476,487**	**304,179**	**1,605,005**	**11,385,671**
Change in net position	7,179,433	223,141	850,140	8,252,714
Net position – beginning, as previously reported	**22,321,935**	**3,877,738**	**6,799,240**	**32,998,913**
Error corrections	—	503,626	3,896	507,522
Changes in accounting principle	500,434	—	(13,022)	487,412
Net position – beginning, as restated	**22,822,369**	**4,381,364**	**6,790,114**	**33,993,847**
Net position – ending	**$ 30,001,802**	**$ 4,604,505**	**$ 7,640,254**	**$ 42,246,561**

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

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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).

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.

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 (UC)* 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 UC is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the UC. The UC 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 UC'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, 2024).

Other component units, which include the following entities:

- The *University of California College of the Law, San Francisco*, 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; 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, 2025, CADA had total assets and deferred outflows of resources of $81 million, total liabilities and deferred inflows of resources of $58 million, and total net position of $23 million. Total revenues for the fiscal year were $23 million and expenses were $34 million, resulting in an decrease in net position of $11 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.crmp.org/.

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/cpcfa.

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 *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.

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 most noteworthy 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 *CalSavers Retirement Savings Trust Program* Fund accounts for money received from California private employees to provide greater retirement savings in a convenient, voluntary, low-cost, and portable manner.

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 4, 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 5, 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 non-cancelable 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 expended or expensed as incurred.

The State has non-cancelable subscription-based information technology arrangements (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 expended 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, subscription 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 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 and internal service funds (No Place Like Home, Golden State Tobacco Securitization Corporation, and the Public Building Construction), 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, change in the 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. Leave that has not been used is recognized as a liability if it (a) is attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Employee leave benefits include annual leave, vacation leave, sick leave, and other paid leave programs. Liabilities for compensated absences are recognized when the leave is earned and meets the criteria above. The compensated absences liability is measured using the weighted average employee pay rate multiplied by the leave balances determined to be more likely than not to be used for time off or otherwise paid in cash or settled through noncash means as of the date of the financial statements. Certain salary-related payments that are directly and incrementally associated with payments to be made for compensated absences, such as Medicare and Social Security payroll taxes, are included in the calculation of the compensated absences liability.

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, 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 (UC), a discretely presented component unit of the State, has entered into service concession arrangements with third parties for parking, student housing and certain other faculty and student services. Under these arrangements, the UC enters into ground leases with third parties at minimal or no cost, and gives the third party the right to construct, operate and maintain a facility, primarily for the benefit of students and faculty at competitive rates. Rate increases for use of the facilities are subject to certain constraints, and ownership of the facilities reverts to the UC upon expiration of the ground lease. The facilities are reported as capital assets by the UC when placed in service, and a corresponding deferred inflow of resources is reported. The UC has not provided guarantees on financing obtained by the third parties under these arrangements.

- *Irrevocable Split-Interest Agreements:* The State's 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 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, 2025, the government-wide financial statements show restricted net position for the primary government of $74.6 billion, of which $23.9 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.

N. Stabilization Arrangements

1. 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, 2025, the Budget Stabilization Account had a restricted fund balance of $18.3 billion.

2. 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, 2025, the SFEU represented $3.5 billion of the unassigned balance of the General Fund.

3. 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, 2025, the PSSSA represented $2.2 billion of cash reported in the General Fund, $1.7 billion of which was due to other funds, and $461 million of which was due to other governments. Accordingly, the PSSSA reported no fund balance as of June 30, 2025.

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: ACCOUNTING CHANGES AND ERROR CORRECTIONS

A. Changes in Accounting Principles

The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the fiscal year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences* is effective for the fiscal year ended June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. These requirements resulted in an increase of the State's compensated absence liability because sick leave is no longer excluded from recognition criteria. This Statement amends the existing requirement to disclose the gross increases and decreases in the liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). The State has chosen to present the change in compensated absence liability as a net figure in Note 10, Long-term Obligations. The impact on the State's Statement of Net Position as a result of the implementation of GASB Statement No. 101 is a decrease of $1.4 billion in beginning net position of governmental activities and an increase of $14 million in beginning net position of business-type activities.

GASB Statement No. 102, *Certain Risk Disclosures* is effective for the fiscal year ended June 30, 2025. Governments may be vulnerable to a variety of risks; although existing authoritative guidance requires governments to disclose information about their exposure to certain risks, information about other risks that are prevalent among governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires governments to assess whether an event or events associated with a concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued and disclose that information if all criteria have been met. Implementation of GASB Statement No. 102 resulted in no changes to the ACFR.

The University of California (UC), a discretely presented component unit of the State, increased its beginning net position by a net $500 million due to the adoption of GASB 101 and a change in accounting principle not resulting from the adoption of a new accounting pronouncement. Additional information about this change in accounting principle can be found in the UC's separately issued financial statements on its website at www.ucop.edu.

B. Changes to or within the Financial Reporting Entity

The State's administrator of the Scholarshare program made a change to the activities within an existing nonmajor governmental fund (Other Special Revenue Programs Fund) which required the fund to be reclassified as a private purpose trust fund (Other Private Purpose Trust Fund). The beginning fund balance decreased in nonmajor governmental funds and increased in the private purpose trust funds by $27 million. As a result of this movement, the beginning net position of the primary government's governmental activities decreased by $27 million.

California State University (CSU) Auxiliary Organizations, a nonmajor discretely presented component unit of the State, removed one of its component units due to the cessation of its operations. The change had no impact to the beginning net position of CSU. Additional information about this change to or within the financial reporting entity can be found in the CSU's separately issued financial statements on its website at www.calstate.edu.

C. Error Corrections in Previously Issued Financial Statements

1. Government-wide Governmental Activities

Error corrections affecting the prior reporting period increased beginning net position by $1.4 billion for governmental activities. The errors affected capital assets, pollution remediation obligations, leases, financed purchases, availability payment arrangements, and other items.

- Identification of reporting errors such as capital assets unreported, assets reported as capital assets that do not meet the State's capitalization policy, unreported transfers of capital assets between departments, and other various errors in recognition and measurement of capital assets led to corrections from various departments within the primary government. The beginning balances of capital assets that are not being depreciated or amortized increased by $326 million, the beginning balances of capital assets being depreciated or amortized decreased by $631 million, and the beginning balances of accumulated depreciation and amortization increased by $427 million. Overall, the error corrections resulted in a increase of $122 million in beginning net position.

- Error corrections to pollution remediation obligations from the prior reporting period decreased beginning net position by $83 million.

- The beginning net position of governmental activities increased by $57 million to correct pension expense timing differences between the State's contributions and the actuarial validation report for the prior reporting period.

- Error corrections related to governmental funds and internal service funds increased beginning net position of governmental activities by $1.2 billion, as described in the sections below.

2. Governmental Funds

- Corrections to the General Fund resulted in an increase in the beginning fund balance by $950 million due to a loan receivable that was not reported in the financial statements in the prior reporting period.

- Corrections to the Environmental and Natural Resources Fund resulted in an increase to the beginning fund balance of $234 million due to grant commitments that were erroneously reported as due to other governments in the prior reporting period.

- Activities reported in the Custodial Fund in the prior reporting period were determined to not be fiduciary in nature. As a result, the fund activities were moved to the Health Care Related Programs Fund and increased the beginning fund balance of nonmajor governmental funds by $58 million.

3. Custodial Fund

Corrections to the Custodial Fund resulted in a decrease in the beginning net position of $58 million. Refer to governmental funds above for more details.

4. Discretely Presented Component Units

An increase of $504 million to the beginning net position of the California Housing Finance Agency, a major component unit, occurred because the activities of a recently added agency program were not included in the prior year's financial statements

Table 1 presents the effects of restatements to beginning fund balances and net position due to changes to or within the financial reporting entity, changes in accounting principles, and error corrections.

Table 1

Restatements of Beginning Fund Balance and Net Position
(amounts in thousands)

	6/30/2024 Balance (As Previously Reported)	Changes To or Within the Financial Reporting Entity	Error Corrections	Changes in Accounting Principle	6/30/2024 Balance (As Restated)
Fund Balances or Net Position					
Government-wide					
Governmental Activities	$ 34,435,206	$ (27,081)	$ 1,367,911	$ (1,414,771)	$ 34,361,265
Business-type Activities	(19,790,770)	—	354	13,943	(19,776,473)
Total Primary Government	**$ 14,644,436**	**$ (27,081)**	**$ 1,368,265**	**$ (1,400,828)**	**$ 14,584,792**
Governmental funds					
Major funds					
General	$ 63,392,765	$ —	$ 956,492	$ —	$ 64,349,257
Federal	357,211	—	—	—	357,211
Environmental & Natural Resources	23,867,622	—	234,709	—	24,102,331
Nonmajor funds	**35,780,250**	**(27,081)**	**59,196**	**—**	**35,812,365**
Total governmental funds	**$ 123,397,848**	**$ (27,081)**	**$ 1,250,397**	**$ —**	**$ 124,621,164**
Proprietary funds					
Major funds					
Water Resources	$ 1,272,654	$ —	$ —	$ —	$ 1,272,654
State Lottery	(295,600)	—	—	—	(295,600)
Unemployment	(14,602,754)	—	354	19,896	(14,582,504)
California State University	(14,279,969)	—	—	—	(14,279,969)
Nonmajor funds	**8,114,899**	**—**	**—**	**(5,953)**	**8,108,946**
Total proprietary funds	**$ (19,790,770)**	**$ —**	**$ 354**	**$ 13,943**	**$ (19,776,473)**
Internal service funds	**$ (1,182,809)**	**$ —**	**$ 6,370**	**$ (112,454)**	**$ (1,288,893)**
Fiduciary funds					
Pension/OPEB	$ 899,667,747	$ —	$ —	$ —	$ 899,667,747
Private Purpose Trust	16,740,124	27,081	—	—	16,767,205
Investment Trust	22,237,363	—	—	—	22,237,363
Custodial Fund	684,083	—	(58,266)	—	625,817
Total fiduciary funds	**$ 939,329,317**	**$ 27,081**	**$ (58,266)**	**$ —**	**$ 939,298,132**
Discretely presented component units					
University of California	$ 22,321,935	$ —	$ —	$ 500,434	$ 22,822,369
California Housing Finance Agency	3,877,738	—	503,626	—	4,381,364
Nonmajor component units	**6,799,240**	**—**	**3,896**	**(13,022)**	**6,790,114**
Total discretely presented component units	**$ 32,998,913**	**$ —**	**$ 507,522**	**$ 487,412**	**$ 33,993,847**

NOTE 3: 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, 2025, increased the spending authority for the budgetary/legal basis-reported General Fund and decreased spending authority for the Environmental and Natural Resources 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 4: 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, 2025, these discretely presented component units and related organizations accounted for approximately 2.46% 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, 2025, totaling approximately $7.6 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, 2025, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $18 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 $3.1 billion in interest revenue received by the General Fund from the pooled investment program in the fiscal year 2024-25 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 2 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 their 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 2

Schedule of Investments – Primary Government – Investments by Fair Value Level
June 30, 2025
(amounts in thousands)

		Fair Value Measurements Using	
	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Pooled Investments			
U.S. Treasury bills and notes	$ 99,557,816	$ 99,557,816	$ —
U.S. Agency bonds and discount notes	33,297,083	33,297,083	—
Supranational debentures and discount notes	12,499,733	12,499,733	—
Small Business Administration loans	244,165	244,165	—
Mortgage-backed securities	1,053	1,053	—
Certificates of deposit	16,448,095	—	16,448,095
Commercial paper	12,185,826	—	12,185,826
Corporate bonds	950,692	950,692	—
Total pooled investments at fair value	**175,184,463**	**$ 146,550,542**	**$ 28,633,921**
Other primary government investments			
U.S. Treasuries and agencies	1,959,599	$ 753,633	$ 1,205,966
Commercial paper	171,317	—	171,317
Corporate debt securities	1,277,312	—	1,277,312
Other	3,808,150	55,375	3,752,775
Total other primary government investments at fair value	**7,216,378**	**$ 809,008**	**$ 6,407,370**
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	584,306		
Short-Term Investments	48,401		
Other External Investment Pools	36,220		
Total investments measured at the NAV	**668,927**		
Other investment instruments			
State and Local Government Series securities[1]	1,973,698		
Total other investment instruments	**1,973,698**		
Funds outside primary government included in pooled investments			
Less: investment trust funds	24,489,901		
Less: other trust and custodial funds	4,636,521		
Less: discretely presented component units and related organizations	4,312,671		
Total primary government investments	**$ 151,604,373**		

[1]Reported at carrying value

As of June 30, 2025, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 253 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, 2025, 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, 2025, structured notes and medium-term asset-backed securities comprised approximately 2.00% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.86% 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 1.81% of the pooled investments.

Table 3 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 3

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	AA by 2 NRSROs
Certificates of deposit	5 years	N/A	N/A	A-1, P1, or F1 by 1 NRSRO
Bankers' acceptances	180 days	N/A	N/A	A-1, P1, or F1 by 1 NRSRO
Commercial paper	270 days	30%	10% of issuer's outstanding Commercial paper	A-1, P1, or F1 by 1 NRSRO
Corporate bonds/notes	5 years	10%	N/A	A category by 2 NRSROs
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 4 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 $5.3 billion of time deposits and $262 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, 2025, only $1 million, or less than 0.01% of the total pooled investments, was invested in mortgage-backed securities.

Table 4

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2025
(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	$ 99,557,816	0.75
U.S. Agency bonds and discount notes	33,297,083	0.77
Supranational debentures and discount notes	12,499,733	0.95
Small Business Administration loans	244,165	0.25
Mortgage-backed securities	1,053	0.34
Certificates of deposit	16,448,095	0.28
Commercial paper	12,185,826	0.22
Corporate bonds	950,692	1.90
Total pooled investments	**175,184,463**	
Other primary government investments		
U.S. Treasuries and agencies	1,959,599	2.94
Commercial paper	171,317	0.04
State and Local Government Series securities[1]	1,973,698	—
Corporate debt securities	1,277,312	3.10
Other	4,477,077	2.22
Total other primary government investments	**9,859,003**	
Funds outside primary government included in pooled investments		
Less: investment trust funds	24,489,901	
Less: other trust and custodial funds	4,636,521	
Less: discretely presented component units and related organizations	4,312,671	
Total primary government investments	**$ 151,604,373**	

[1]Reported at carrying value

b. Credit Risk

Table 5 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 4, time deposits and internal loans to state funds are not included.

Table 5

Schedule of Investments in Debt Securities – Primary Government – Credit Risk
June 30, 2025
(amounts in thousands)

Credit Rating as of Year End		
Short-term	**Long-term**	**Fair Value**
Pooled investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 42,949,445
A-1/P-1/F-1	AA/Aa/AA	31,364,500
A-2/P-2/F-2	A/A/A	771,613
A-2/P-2/F-2	A/A/BBB	296,924
Not rated		—
Not applicable		99,801,981
Total pooled investments		**$ 175,184,463**
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 1,011,473
A-1/P-1/F-1	AA/Aa/AA	2,696,546
A-2/P-2/F-2	A/A/A	1,267,782
A-3/P-3/F-3	BBB/Baa/BBB	19,124
B/NP/B	BB/Ba/BB	95,092
B/NP/B	B2/B	266,265
C/NP/C	CCC/Caa/CCC	18,914
Not rated		4,483,807
Total other primary government investments		**$ 9,859,003**

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, 2025, 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, except for corporate bonds and notes which is limited to 10% of the total pooled investments. As of June 30, 2025, the State had investments in the Federal Home Loan Bank totaling 9.01% 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 96.02% 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 (UC) and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The UC and CalHFA constitute 92.37% 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 UC's investments and derivative instruments are included in the UC'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.

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NOTE 5: ACCOUNTS RECEIVABLE

Table 6 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 (UC), a discretely presented component unit of the State, reported current and noncurrent lease receivables of $58 million and $649 million, respectively. The State's nonmajor component units reported current and noncurrent lease receivables of $27 million and $476 million, respectively. Additional disclosures for the UC are included in the UC's separately issued financial statements, which may be found on its website at www.ucop.edu.

Table 6

Schedule of Accounts Receivable
June 30, 2025
(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers	Unemployment Programs	California State University	Other	Total
Current governmental activities							
General Fund	$ 41,895,644	$ 83	$ —	$ 682,831	$ —	$ 3,098,004	$ 45,676,562
Federal Fund	—	—	—	—	—	3,832,105	3,832,105
Environmental and Natural Resources Fund	24,971	426,158	—	—	—	84,644	535,773
Nonmajor governmental funds	5,224,197	8,560,518	—	—	—	929,719	14,714,434
Internal service funds	—	—	—	—	—	83,212	83,212
Adjustment:							
Unavailable revenue[1]	(2,766,342)	(13,333)	—	(509,845)	—	(206,999)	(3,496,519)
Leases receivable	—	—	—	—	—	(154,716)	(154,716)
Total current governmental activities	**$ 44,378,470**	**$ 8,973,426**	**$ —**	**$ 172,986**	**$ —**	**$ 7,665,969**	**$ 61,190,851**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 2,766,342**	**$ 13,333**	**$ —**	**$ 509,845**	**$ —**	**$ 361,715**	**$ 3,651,235**
Current business-type activities							
Water Resources Fund	—	—	—	—	—	126,760	126,760
State Lottery Fund	—	—	779,716	—	—	—	779,716
Unemployment Programs Fund	—	—	—	1,301,980	—	—	1,301,980
California State University	—	—	—	—	446,875	—	446,875
Nonmajor enterprise funds	—	—	—	—	—	152,076	152,076
Total current business-type activities	**$ —**	**$ —**	**$ 779,716**	**$ 1,301,980**	**$ 446,875**	**$ 278,836**	**$ 2,807,407**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ —**	**$ —**	**$ —**	**$ 1,081,218**	**$ 807,105**	**$ —**	**$ 1,888,323**

[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.

NOTE 6: RESTRICTED ASSETS

Table 7 presents a summary of the legal restrictions placed on assets of the primary government and the discretely presented component units.

Table 7

Schedule of Restricted Assets
June 30, 2025
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	$ 596,231	$ 50,690	$ 234,099	$ 5,658,667	$ 6,539,687
Construction	874,070	—	—	—	874,070
Operations	73,648	—	—	—	73,648
Other	4,796	—	—	—	4,796
Total primary government	**1,548,745**	**50,690**	**234,099**	**5,658,667**	**7,492,201**
Discretely presented component units					
Debt service	1,170,672	457,390	—	—	1,628,062
Other	140,523	—	—	—	140,523
Total discretely presented component units	**1,311,195**	**457,390**	**—**	**—**	**1,768,585**
Total restricted assets	**$ 2,859,940**	**$ 508,080**	**$ 234,099**	**$ 5,658,667**	**$ 9,260,786**

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital assets activity for the primary government.

Table 8

Schedule of Changes in Capital Assets – Primary Government
June 30, 2025
(amounts in thousands)

	Beginning Balance		Additions	Deductions	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized					
Land	$ 21,987,553	*	$ 161,479	$ 3,458	$ 22,145,574
State highway infrastructure	85,480,148	*	1,035,191	15,970	86,499,369
Collections	21,691		—	—	21,691
Construction/development in progress	24,442,469	*	5,740,932	1,389,728	28,793,673
Intangible assets	1,320,549	*	105,050	—	1,425,599
Total capital assets not being depreciated/amortized	**133,252,410**		**7,042,652**	**1,409,156**	**138,885,906**
Capital assets being depreciated/amortized					
Buildings and improvements	32,020,884	*	452,189	22,954	32,450,119
Infrastructure	755,010		4,868	136	759,742
Equipment and other depreciable assets	7,198,864	*	777,025	366,218	7,609,671
Other intangible assets	3,887,850	*	187,237	23,170	4,051,917
Total capital assets being depreciated/amortized	**43,862,608**		**1,421,319**	**412,478**	**44,871,449**
Less accumulated depreciation/amortization for:					
Buildings and improvements	12,128,074	*	780,639	12,853	12,895,860
Infrastructure	496,116		14,145	10	510,251
Equipment and other depreciable assets	5,598,475	*	576,860	365,502	5,809,833
Other intangible assets	2,123,234	*	316,310	21,942	2,417,602
Total accumulated depreciation/amortization	**20,345,899**		**1,687,954**	**400,307**	**21,633,546**
Total capital assets being depreciated/amortized, net	**23,516,709**		**(266,635)**	**12,171**	**23,237,903**
Right to use assets being amortized					
Right to use leased land	50,175	*	9,475	2,219	57,431
Right to use leased buildings	4,156,068	*	516,189	564,688	4,107,569
Right to use leased equipment	43,303	*	323	18,029	25,597
Right to use subscription-based information technology arrangements	423,799	*	182,976	206,571	400,204
Total right to use assets being amortized	**4,673,345**		**708,963**	**791,507**	**4,590,801**
Less accumulated amortization for:					
Right to use leased land	12,608	*	5,883	637	17,854
Right to use leased buildings	1,389,905	*	527,484	297,786	1,619,603
Right to use leased equipment	27,653	*	8,110	18,029	17,734
Right to use subscription-based information technology arrangements	248,474	*	142,428	201,712	189,190
Total accumulated amortization	**1,678,640**		**683,905**	**518,164**	**1,844,381**
Total right to use assets being amortized, net	**2,994,705**		**25,058**	**273,343**	**2,746,420**
Governmental activities, capital assets, net	**$ 159,763,824**		**$ 6,801,075**	**$ 1,694,670**	**$ 164,870,229**

* Restated - Refer to Note 2 Accounting Changes and Error Corrections

Table 8 (continued)

Schedule of Changes in Capital Assets – Primary Government
June 30, 2025
(amounts in thousands)

	Beginning Balance		Additions	Deductions	Ending Balance
Business-type activities					
Capital assets not being depreciated/amortized					
Land	$ 489,278		$ 805	$ —	$ 490,083
Collections	39,774		600	—	40,374
Construction/development in progress	2,957,608		1,582,186	1,016,595	3,523,199
Intangible assets	136,840		844	6,587	131,097
Total capital assets not being depreciated/amortized	**3,623,500**		**1,584,435**	**1,023,182**	**4,184,753**
Capital assets being depreciated/amortized					
Buildings and improvements	20,673,866		963,511	2,843	21,634,534
Infrastructure	967,901		76,347	8,342	1,035,906
Equipment and other assets	1,266,220	*	86,628	35,341	1,317,507
Other intangible assets	547,858		26,560	759	573,659
Total capital assets being depreciated/amortized	**23,455,845**		**1,153,046**	**47,285**	**24,561,606**
Less accumulated depreciation/amortization for:					
Buildings and improvements	7,929,880	*	580,627	1,080	8,509,427
Infrastructure	231,324		35,609	8,514	258,419
Equipment and other assets	956,371	*	88,500	33,549	1,011,322
Other intangible assets	292,614		24,161	760	316,015
Total accumulated depreciation/amortization	**9,410,189**		**728,897**	**43,903**	**10,095,183**
Total capital assets being depreciated/amortized, net	**14,045,656**		**424,149**	**3,382**	**14,466,423**
Right to use assets being amortized					
Right to use leased land	3,518		1,442	152	4,808
Right to use leased buildings	639,447		77,544	17,213	699,778
Right to use leased equipment	16,980		6,649	3,097	20,532
Right to use subscription-based information technology arrangements	172,646		143,556	54,503	261,699
Total right to use assets being amortized	**832,591**		**229,191**	**74,965**	**986,817**
Less accumulated amortization for:					
Right to use leased land	807		556	141	1,222
Right to use leased buildings	125,477		51,018	17,130	159,365
Right to use leased equipment	7,832		3,823	3,052	8,603
Right to use subscription-based information technology arrangements	97,419		86,891	54,493	129,817
Total accumulated amortization	**231,535**		**142,288**	**74,816**	**299,007**
Total right to use assets being amortized, net	**601,056**		**86,903**	**149**	**687,810**
Business-type activities, capital assets, net	**$ 18,270,212**		**$ 2,095,487**	**$ 1,026,713**	**$ 19,338,986**

* Restated - Refer to Note 2 Accounting Changes and Error Corrections

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

Table 9

Schedule of Depreciation and Amortization Expense – Primary Government
June 30, 2025
(amounts in thousands)

	Amount
Governmental activities	
General government	$ 606,486
Education	127,098
Health and human services	330,571
Natural resources and environmental protection	369,892
Business, consumer services, and housing	43,373
Transportation	414,974
Corrections and rehabilitation	344,784
Internal service funds (charged to the activities that utilize the fund)	134,681
Total governmental activities	**2,371,859**
Business-type activities	**871,185**
Total primary government	**$ 3,243,044**

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

Table 10

Schedule of Changes in Capital Assets – Discretely Presented Component Units
June 30, 2025
(amounts in thousands)

	Beginning Balance		Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized					
Land	$ 2,311,410		$ 250,001	$ 8,511	$ 2,552,900
Collections	671,247		46,908	2,545	715,610
Construction/development in progress	8,287,234		1,729,454	144,976	9,871,712
Intangible assets	305		35	22	318
Total capital assets not being depreciated/amortized	**11,270,196**		**2,026,398**	**156,054**	**13,140,540**
Capital assets being depreciated/amortized					
Buildings and improvements	57,067,283		3,540,673	72,920	60,535,036
Infrastructure	1,125,560		62,110	—	1,187,670
Equipment and other depreciable assets	14,502,841	*	1,111,469	385,724	15,228,586
Other intangible assets	1,836,935	*	152,182	71,449	1,917,668
Total capital assets being depreciated/amortized	**74,532,619**		**4,866,434**	**530,093**	**78,868,960**
Less accumulated depreciation/amortization for:					
Buildings and improvements	25,712,698	*	1,801,971	58,311	27,456,358
Infrastructure	597,332	*	37,567	—	634,899
Equipment and other depreciable assets	10,391,424	*	822,492	380,858	10,833,058
Other intangible assets	1,450,191	*	113,274	23,074	1,540,391
Total accumulated depreciation/amortization	**38,151,645**		**2,775,304**	**462,243**	**40,464,706**
Total capital assets being depreciated/amortized, net	**36,380,974**		**2,091,130**	**67,850**	**38,404,254**
Right to use assets being amortized					
Right to use leased land	88,979		21,125	(3,082)	113,186
Right to use leased buildings	3,423,016	*	694,993	227,816	3,890,193
Right to use leased equipment	284,799		67,772	53,013	299,558
Right to use subscription-based information technology arrangements	545,506	*	237,201	71,749	710,958
Total right to use assets being amortized	**4,342,300**		**1,021,091**	**349,496**	**5,013,895**
Less accumulated amortization for:					
Right to use leased land	16,563		4,600	1,236	19,927
Right to use leased buildings	1,179,746		254,940	152,052	1,282,634
Right to use leased equipment	114,934		48,464	37,525	125,873
Right to use subscription-based information technology arrangements	226,191	*	164,376	73,328	317,239
Total accumulated amortization	**1,537,434**		**472,380**	**264,141**	**1,745,673**
Total right to use assets being amortized, net	**2,804,866**		**548,711**	**85,355**	**3,268,222**
Capital assets, net	**$ 50,456,036**		**$ 4,666,239**	**$ 309,259**	**$ 54,813,016**

* Restated - Refer to Note 2 Accounting Changes and Error Corrections

NOTE 8: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $3.8 billion. This amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 11 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 11

Schedule of Deferred Outflows and Deferred Inflows of Resources
June 30, 2025
(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	$ 710,628	$ 144,345	$ 854,973	$ 191,635
Decrease in fair value of hedging derivative instruments	—	—	—	17,479
Net pension liability	21,765,418	2,440,663	24,206,081	2,248,825
Net other postemployment benefits liability	12,187,358	2,732,950	14,920,308	2,406,867
Deferred asset retirement obligation	—	—	—	73,860
Other deferred outflows	—	—	—	512,417
Total deferred outflows of resources	**$ 34,663,404**	**$ 5,317,958**	**$ 39,981,362**	**$ 5,451,083**
Deferred inflows of resources:				
Gain on refunding of debt	$ 1,292,421	$ 2,495	$ 1,294,916	$ 122,536
Service concession arrangements	—	—	—	407,630
Irrevocable split-interest agreements	—	—	—	364,847
Net pension liability	5,319,970	301,706	5,621,676	5,724,332
Net other postemployment benefits liability	12,884,628	3,415,104	16,299,732	8,523,827
Other deferred inflows	342,366	2,621,513	2,963,879	1,345,752
Total deferred inflows of resources	**$ 19,839,385**	**$ 6,340,818**	**$ 26,180,203**	**$ 16,488,924**

NOTE 9: ACCOUNTS PAYABLE

Accounts payable are amounts, related to different programs, that are due taxpayers, vendors, customers, beneficiaries, and employees. Table 12 presents details related to accounts payable.

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

Table 12

Schedule of Accounts Payable
June 30, 2025
(amounts in thousands)

	General Governmental	Education	Health and Human Services	Natural Resources and Environmental Protection	Transportation	Other	Total
Governmental activities							
General Fund	$ 2,419,200	$ 613,408	$ 14,407,899	$ 771,903	$ 2,886	$ 519,038	$ 18,734,334
Federal Fund	671,007	12,130	31,689,877	351,626	141,838	103,103	32,969,581
Environmental and Natural Resources Fund	7,034	—	117	1,136,482	78,540	10,189	1,232,362
Nonmajor governmental funds	829,716	3,784	7,303,651	27,453	2,070,993	199,080	10,434,677
Internal service funds	330,887	10	289,094	39,196	—	1,562	660,749
Adjustment:							
Fiduciary funds	46,148	—	—	—	61,763	—	107,911
Total governmental activities	**$ 4,303,992**	**$ 629,332**	**$ 53,690,638**	**$ 2,326,660**	**$ 2,356,020**	**$ 832,972**	**$ 64,139,614**
Business-type activities							
Water Resources Fund	$ —	$ —	$ —	$ 178,583	$ —	$ —	$ 178,583
State Lottery Fund	96,470	—	—	—	—	—	96,470
Unemployment Programs Fund	—	—	190,599	—	—	—	190,599
California State University	—	480,094	—	—	—	—	480,094
Nonmajor enterprise funds	216	304	370	35,656	—	3,302	39,848
Adjustment:							
Fiduciary funds	—	—	—	—	—	74	74
Total business-type activities	**$ 96,686**	**$ 480,398**	**$ 190,969**	**$ 214,239**	**$ —**	**$ 3,376**	**$ 985,668**

NOTE 10: LONG-TERM OBLIGATIONS

As of June 30, 2025, the primary government had long-term obligations totaling $313.8 billion. Of that amount, $11.4 billion was due within one year. Governmental activities had a net decrease in long-term obligations of $3.1 billion, primarily consisting of a decrease of $9.6 billion in net pension liability, offset by an increase of $4.6 billion in net other postemployment benefits (OPEB) liability. Other significant increases included total other long-term obligations of $1.9 billion.

Not included in the mandated cost claims payable shown in Table 13 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, 2025, pollution remediation obligations increased by $49 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, 2025, the State estimates that remediation costs at Stringfellow will total $579 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, 2025, the State estimates that the oil field abandonment liability is $1.0 billion, and the State has reserves of $396 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 $15 million, availability payment arrangements of $949 million, lessee-type financed purchases of $17 million, Technology Services Revolving Fund notes payable of $8 million and a Transportation Fund performance obligation of $523 million. The net pension liability, net OPEB liability, 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 $1.3 billion. Significant increases included $1.5 billion in net OPEB liability and $485 million in revenue bonds payable, while significant decreases included a $1.1 billion decrease in net pension liability.

Table 13 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2025.

Table 13

Schedule of Changes in Long-term Obligations
(amounts in thousands)

	Balance July 1, 2024		Additions	Deductions	Balance June 30, 2025	Due Within One Year	Noncurrent Liabilities
Governmental activities							
Loans payable adjustment for fiduciary funds	$ 19,810		$ —	$ 7,638	$ 12,172	$ —	$ 12,172
Compensated absences payable[1]	6,734,348	*	154,014	—	6,888,362	2,601,626	4,286,736
Workers' compensation benefits payable	6,323,886		1,107,500	737,587	6,693,799	683,235	6,010,564
Commercial paper and other borrowings	1,031,170		872,735	893,110	1,010,795	—	1,010,795
Lease liability	2,925,099	*	479,511	753,653	2,650,957	453,150	2,197,807
Subscription liability	126,804	*	169,054	146,539	149,319	79,263	70,056
General obligation bonds outstanding	71,742,195		7,679,445	7,549,470	71,872,170	3,598,775	68,273,395
Premiums	7,744,833		542,120	822,102	7,464,851	557,100	6,907,751
Total general obligation bonds payable	79,487,028		8,221,565	8,371,572	79,337,021	4,155,875	75,181,146
Revenue bonds outstanding	14,967,578		1,770,790	1,752,671	14,985,697	796,035	14,189,662
Accreted interest	835,143		48,704	—	883,847	—	883,847
Premiums	777,683		169,626	154,433	792,876	115,045	677,831
Discounts	(632)		—	(108)	(524)	(122)	(402)
Total revenue bonds payable	16,579,772		1,989,120	1,906,996	16,661,896	910,958	15,750,938
Mandated cost claims payable	1,975,798		216,768	315,835	1,876,731	91,529	1,785,202
Net other postemployment benefits liability	68,707,301		9,304,948	4,699,665	73,312,584	—	73,312,584
Net pension liability	82,382,466		32,027,534	41,652,456	72,757,544	—	72,757,544
Other long-term obligations:							
Lessee-type financed purchases and availability payment arrangements	996,746	*	562	31,091	966,217	32,088	934,129
Oil field abandonment liability	1,041,750		—	3,890	1,037,860	—	1,037,860
Proposition 98 funding guarantee	—		1,916,848	—	1,916,848	—	1,916,848
Pollution remediation obligations	1,770,504	*	174,946	126,268	1,819,182	77,059	1,742,123
Other	617,855	*	45,637	117,272	546,220	185,464	360,756
Total other long-term obligations	4,426,855		2,137,993	278,521	6,286,327	294,611	5,991,716
Total governmental activities	**$ 270,720,337**		**$ 56,680,742**	**$ 59,763,572**	**$ 267,637,507**	**$ 9,270,247**	**$ 258,367,260**
Business-type activities							
Lottery prizes and annuities	$ 1,467,475		$ 6,815,596	$ 6,743,044	$ 1,540,027	$ 999,317	$ 540,710
Compensated absences payable[1]	472,080	*	39,489	—	511,569	242,737	268,832
Workers' compensation benefits payable	14,601		—	2,570	12,031	—	12,031
Commercial paper and other borrowings	656,727		459,890	477,943	638,674	436	638,238
Lease liability	525,824		83,998	47,899	561,923	194,824	367,099
Subscription liability	55,436		131,457	83,727	103,166	47,650	55,516
General obligation bonds outstanding	634,480		300,000	35,420	899,060	8,510	890,550
Premiums	11,943		—	1,203	10,740	—	10,740
Discounts	(439)		—	(71)	(368)	—	(368)
Total general obligation bonds payable	645,984		300,000	36,552	909,432	8,510	900,922
Revenue bonds outstanding	14,016,255		1,080,115	620,465	14,475,905	628,885	13,847,020
Premiums	1,149,393		123,153	97,917	1,174,629	19,645	1,154,984
Discounts	(269)		—	(37)	(232)	—	(232)
Total revenue bonds payable	15,165,379		1,203,268	718,345	15,650,302	648,530	15,001,772
Net other postemployment benefits liability	15,402,777		2,030,656	571,339	16,862,094	—	16,862,094
Net pension liability	10,078,529		3,358,964	4,421,727	9,015,766	—	9,015,766
Other long-term obligations	381,151		122,566	159,252	344,465	19,518	324,947
Total business-type activities	**$ 44,865,963**		**$ 14,545,884**	**$ 13,262,398**	**$ 46,149,449**	**$ 2,161,522**	**$ 43,987,927**

[1]The change in the compensated absences liability is presented as a net change.

* Restated - Refer to Note 2 Accounting Changes and Error Corrections

NOTE 11: 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 (UC), a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with UC 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 UC'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, 2024, included the primary government and certain discretely presented component units; 1,336 school employers, including charter schools; and 1,600 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, 2023 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, 2024 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 14 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 14

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2024

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	216,324	18,502	32,188	51,227	10,517	**328,758**
Inactive employees entitled to but not yet receiving benefits	82,960	4,776	10,986	10,045	606	**109,373**
Active employees	216,900	19,978	34,240	47,018	6,793	**324,929**
Total	**516,184**	**43,256**	**77,414**	**108,290**	**17,916**	**763,060**

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 15 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, 2024.

Table 15

Contribution Rates – PERF Plans
June 30, 2024

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	7.49 %	8.65 %	10.95 %	11.87 %	12.57 %
Employer rate of annual payroll	30.97	20.42	22.72	47.91	69.01
Total	**38.46 %**	**29.07 %**	**33.67 %**	**59.78 %**	**81.58 %**

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2024 (measurement date), by rolling forward the total pension liability determined by the June 30, 2023 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 16.

Table 16

Actuarial Methods and Assumptions – PERF Plans

Valuation date:	June 30, 2023
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68.
Actuarial assumptions:	
Discount rate	6.90%
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	Derived using CalPERS' membership data for all funds.
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 17 shows the long-term expected geometric real rate of return by asset class for all plans in the PERF.

Table 17

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 18 shows changes in net pension liability recognized over the measurement period for the PERF plans.

Table 18

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

	State Miscellaneous			State Industrial			State Safety			State Peace Officers and Firefighters		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023	$ 139,507,612	$ 101,081,537	$ 38,426,075	$ 6,119,522	$ 4,908,110	$ 1,211,412	$ 18,204,224	$ 14,879,300	$ 3,324,924	$ 62,861,062	$ 46,103,000	$ 16,758,062
Changes recognized for the measurement period:												
Service cost	2,713,022	—	2,713,022	157,301	—	157,301	565,174	—	565,174	1,249,852	—	1,249,852
Interest on total pension liability	9,509,569	—	9,509,569	419,207	—	419,207	1,250,737	—	1,250,737	4,289,911	—	4,289,911
Difference between expected and actual experience	910,930	—	910,930	22,880	—	22,880	98,235	—	98,235	261,062	—	261,062
Plan to plan resource movement	—	(480)	480	—	(1,172)	1,172	—	1,761	(1,761)	—	(285)	285
Employer contributions	—	6,093,536	(6,093,536)	—	231,104	(231,104)	—	784,227	(784,227)	—	2,877,620	(2,877,620)
Employee contributions	—	1,273,742	(1,273,742)	—	78,425	(78,425)	—	321,424	(321,424)	—	517,361	(517,361)
Net investment income	—	9,590,976	(9,590,976)	—	471,324	(471,324)	—	1,445,883	(1,445,883)	—	4,466,739	(4,466,739)
Benefit payments, including refunds of employee contributions	(7,910,411)	(7,910,411)	—	(291,180)	(291,180)	—	(916,852)	(916,852)	—	(3,148,857)	(3,148,857)	—
Administrative expense	—	(82,250)	82,250	—	(3,994)	3,994	—	(12,107)	12,107	—	(37,514)	37,514
Net changes	**5,223,110**	**8,965,113**	**(3,742,003)**	**308,208**	**484,507**	**(176,299)**	**997,294**	**1,624,336**	**(627,042)**	**2,651,968**	**4,675,064**	**(2,023,096)**
Balance at June 30, 2024 (Measurement Date)	**$ 144,730,722**	**$ 110,046,650**	**$ 34,684,072**	**$ 6,427,730**	**$ 5,392,617**	**$ 1,035,113**	**$ 19,201,518**	**$ 16,503,636**	**$ 2,697,882**	**$ 65,513,030**	**$ 50,778,064**	**$ 14,734,966**

(continued)

Table 18 (continued)

Changes in Net Pension Liability – PERF Plans
(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, 2023	$ 17,054,576	$ 11,686,186	$ 5,368,390	**$ 243,746,996**	**$ 178,658,133**	**$ 65,088,863**
Changes recognized for the measurement period:						
Service cost	299,152	—	299,152	**$ 4,984,501**	**—**	**4,984,501**
Interest on total pension liability	1,170,324	—	1,170,324	**16,639,748**	**—**	**16,639,748**
Difference between expected and actual experience	182,745	—	182,745	**1,475,852**	**—**	**1,475,852**
Plan to plan resource movement	—	176	(176)	**—**	**—**	**—**
Employer contributions	—	755,384	(755,384)	**—**	**10,741,871**	**(10,741,871)**
Employee contributions	—	134,856	(134,856)	**—**	**2,325,808**	**(2,325,808)**
Net investment income	—	1,113,204	(1,113,204)	**—**	**17,088,126**	**(17,088,126)**
Benefit payments, including refunds of employee contributions	(851,349)	(851,349)	—	**(13,118,649)**	**(13,118,649)**	**—**
Administrative expense	—	(9,509)	9,509	**—**	**(145,374)**	**145,374**
Net changes	**800,872**	**1,142,762**	**(341,890)**	**9,981,452**	**16,891,782**	**(6,910,330)**
Balance at June 30, 2024 (Measurement Date)	**$ 17,855,448**	**$ 12,828,948**	**$ 5,026,500**	**$ 253,728,448**	**$ 195,549,915**	**$ 58,178,533**

Reported in governmental activities	$ 47,247,331
Reported in business-type activities	9,015,766
Reported by discretely presented component units	166,274
Not reported in government-wide Statement of Net Position[1]	1,749,162
Total net pension liability – PERF plans	**$ 58,178,533**

(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, 2024; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Table 19 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 19

Net Pension Liability Sensitivity – PERF Plans
June 30, 2025
(amounts in thousands)

	Current Rate -1%	Current Rate 6.9%	Current Rate +1%
State Miscellaneous	$ 52,640,125	$ 34,684,072	$ 19,696,468
State Industrial	1,926,418	1,035,113	303,886
State Safety	5,251,727	2,697,882	592,359
State Peace Officers and Firefighters	23,787,480	14,734,966	7,331,758
California Highway Patrol	7,515,701	5,026,500	2,993,517
Total PERF plans	**$ 91,121,451**	**$ 58,178,533**	**$ 30,917,988**

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, 2025, the State recognized pension expense of $10.4 billion. At June 30, 2025, 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, 2024, but prior to the fiscal year ended June 30, 2025. 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 20 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each PERF plan.

Table 20

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – PERF Plans
June 30, 2025
(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	$ 5,917,060	$ 244,805	$ 641,556	$ 2,778,900	$ 827,279	**$ 10,409,600**
Deferred Outflows of Resources:						
Employer contributions	4,900,301	156,506	577,916	1,582,780	789,294	**8,006,797**
Changes of assumptions	1,127,362	18,089	130,063	792,157	231,891	**2,299,562**
Difference between expected and actual experience	1,869,294	54,299	183,741	1,106,941	275,811	**3,490,086**
Net difference between projected and actual earnings on pension plan investments	1,666,293	74,536	213,559	641,574	190,701	**2,786,663**
Deferred Inflows of Resources:						
Difference between expected and actual experience	337,287	7,698	71,871	291,181	59,366	**767,403**

Table 21 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 21

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
2026	$ 1,330,786	$ 45,299	$ 121,126	$ 712,672	$ 222,183	**$ 2,432,066**
2027	3,491,630	138,663	460,430	1,694,620	442,921	**6,228,264**
2028	(31,326)	(18,183)	(43,344)	59,515	18,568	**(14,770)**
2029	(465,428)	(26,553)	(82,720)	(217,316)	(44,635)	**(836,652)**

Payable to the Pension Plans: At June 30, 2025, the State reported a payable of $53 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2025.

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 PEPRA 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 five 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, 2024, actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 22 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 22

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2024

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,565	630	182	**2,377**
Inactive employees entitled to but not yet receiving benefits	—	2	3	**5**
Active employees	68	1,689	—	**1,757**
Total	**1,633**	**2,321**	**185**	**4,139**

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 8.00% 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 8.00% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2024, actuarial valuation as 33.35%. 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. Legislators' contribution rates in the fiscal year 2023-24 reflect the closed nature of the plan and the termination of all active members as of June 30, 2023.

Table 23 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, 2024.

Table 23

Contribution Rates – Single-employer Plans
June 30, 2024

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	9.94 %	— %
Employer rate of annual payroll	as-you-	23.58	—
Total	go"	**33.52 %**	**— %**

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2024 (measurement date), by rolling forward the total pension liability determined by the June 30, 2023, actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 24.

Table 24

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2023
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68.
Actuarial assumptions:	
Discount rate	Judges' 3.97%, 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' 3.97%, 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' – 3.97%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.97%, 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 25 shows long-term expected real rates of return by asset class for Judges' II and Legislators'.

Table 25

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 2021-22 Asset Liability Management study.

Changes in Net Pension Liability: Table 26 shows the changes in net pension liability recognized over the measurement period for the single-employer plans.

Table 26

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

	Judges'			Judges' II			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)	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, 2023 (Valuation Date)	$ 2,493,768	$ 46,327	$ 2,447,441	$ 2,293,612	$ 2,328,782	$ (35,170)	$ 88,315	$ 95,669	$ (7,354)	**$ 4,875,695**	**$ 2,470,778**	**$ 2,404,917**
Changes recognized for the measurement period:												
Service cost	7,660	—	7,660	128,635	—	128,635	—	—	—	**136,295**	**—**	**136,295**
Interest on total pension liability	93,495	—	93,495	143,959	—	143,959	4,351	—	4,351	**241,805**	**—**	**241,805**
Difference between expected and actual experience	(14,317)	—	(14,317)	32,448	—	32,448	5,119	—	5,119	**23,250**	**—**	**23,250**
Changes of assumptions	(21,972)	—	(21,972)	—	—	—	—	—	—	**(21,972)**	**—**	**(21,972)**
Employer contributions	—	212,532	(212,532)	—	96,316	(96,316)	—	—	—	**—**	**308,848**	**(308,848)**
Employee contributions	—	1,481	(1,481)	—	42,936	(42,936)	—	—	—	**—**	**44,417**	**(44,417)**
Net investment income	—	3,416	(3,416)	—	267,417	(267,417)	—	4,905	(4,905)	**—**	**275,738**	**(275,738)**
Benefit payments, including refunds of employee contributions	(212,542)	(212,542)	—	(99,168)	(99,168)	—	(7,436)	(7,436)	—	**(319,146)**	**(319,146)**	**—**
Administrative expense	—	(2,411)	2,411	—	(2,638)	2,638	—	(663)	663	**—**	**(5,712)**	**5,712**
Other miscellaneous income	—	2,831	(2,831)	—	5	(5)	—	1	(1)	**—**	**2,837**	**(2,837)**
Net changes	**(147,676)**	**5,307**	**(152,983)**	**205,874**	**304,868**	**(98,994)**	**2,034**	**(3,193)**	**5,227**	**60,232**	**306,982**	**(246,750)**
Balance at June 30, 2024 (Measurement Date)	**$ 2,346,092**	**$ 51,634**	**$ 2,294,458**	**$ 2,499,486**	**$ 2,633,650**	**$ (134,164)**	**$ 90,349**	**$ 92,476**	**$ (2,127)**	**$ 4,935,927**	**$ 2,777,760**	**$ 2,158,167**

Reported in governmental activities **$ 2,158,167**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges' net pension liability was calculated using a discount rate of 3.97%; Judges' II used 6.15%; and Legislators' used 4.85%. Table 27 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 27

Net Pension Liability/Asset Sensitivity – Single-employer Plans
June 30, 2025
(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (3.97%)	$ 2,502,307	$ 2,294,458	$ 2,113,796
Judges' II (6.15%)	153,650	(134,164)	(371,317)
Legislators' (4.85%)	8,699	(2,127)	(10,859)
Total Single-employer Plans	**$ 2,664,656**	**$ 2,158,167**	**$ 1,731,620**

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, 2024, the State recognized pension expense of $143 million. At June 30, 2025, 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, 2024, but prior to June 30, 2025, which will be recognized as a reduction of the net pension liability in the subsequent year.

Table 28 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each single-employer plan.

Table 28

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – Single-employer Plans
June 30, 2025
(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	$ 60,153	$ 75,281	$ 7,976	**$ 143,410**
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	217,738	91,286	—	**309,024**
Difference between expected and actual experience	—	46,888	—	**46,888**
Net difference between projected and actual earnings on pension plan investments	—	12,219	7,569	**19,788**
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	49,935	—	**49,935**
Changes of assumptions	—	41,620	—	**41,620**
Net difference between projected and actual earnings on pension plan investments	588	—	—	**588**

Table 29 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 29

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans
(amounts in thousands)

Year Ending June 30	Judges'	Judges' II	Legislators'	Total
2026	$ 142	$ (16,481)	$ 2,527	**$ (13,812)**
2027	(27)	54,634	4,387	**58,994**
2028	(395)	(38,885)	747	**(38,533)**
2029	(308)	(33,826)	(92)	**(34,226)**
2030	—	(2,526)	—	**(2,526)**
Thereafter	—	4,636	—	**4,636**

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 approximately 1,800 contributing employers, 471,000 active and 244,000 inactive program members, and 339,000 benefit recipients as of June 30, 2025. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2024, was approximately $46.7 billion.

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

Contributions: The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 10.21% and 19.10% 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 $4.3 billion for the fiscal year 2024-25. CalSTRS' June 30, 2023 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, 2024, the CBB Program had 29 contributing school districts and 42,793 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, 2024, 178 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2023 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 30, applied to the measurement period ended June 30, 2024.

Table 30

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2023
Experience study	July 1, 2007, through June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.10%
Consumer price inflation	2.75%
Payroll growth	3.25%
Wage growth	3.50%
Post-retirement benefit increases (COLAs)	2.00% simple

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality amongst our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023 and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 2024 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 31 shows the assumed allocation and best estimates of the 20-year geometric real rate of return for each major asset class.

Table 31

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

Asset Class	Assumed Asset Allocation	Long-term Expected Rate of Return	Long-term Expected Real Rate of Return
Public equity	38.0 %	8.00 %	5.25 %
Real estate	15.0	6.80	4.05
Private equity	14.0	9.50	6.75
Fixed income	14.0	5.20	2.45
Risk mitigating strategies	10.0	5.00	2.25
Inflation sensitive	7.0	6.40	3.65
Cash/liquidity	2.0	2.80	0.05
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, 2024 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 2023 (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, 2024, the State's proportionate share of the CalSTRS' net pension liability was 31.45%, or $21.1 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2025.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of $1.3 billion for the fiscal year ended June 30, 2025, and reported deferred outflows and deferred inflows of resources as shown in Table 32.

Table 32

Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS
June 30, 2025
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 92,466	$ 1,442,657
Net difference between projected and actual earnings on pension plan investments	—	85,232
Difference between expected and actual experiences	2,389,332	923,716
Proportionate share change	—	1,805,656
State contributions subsequent to the measurement date	4,263,762	—
Total	**$ 6,745,560**	**$ 4,257,261**

The $4.3 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

Table 33 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 33

Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS
(amounts in thousands)

Year Ending June 30	Amount
2026	$ (2,080,850)
2027	1,255,328
2028	(438,336)
2029	(314,872)
2030	6,573
Thereafter	(203,306)

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: Table 34 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 34

Net Pension Liability Sensitivity – CalSTRS
June 30, 2025
(amounts in thousands)

	Current Rate –1%	Current Rate 7.10%	Current Rate +1%
State's proportionate share of net pension liability	$ 37,571,679	$ 21,123,435	$ 7,388,469

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, 33 trial courts provide pension benefits to their respective employees through agent multiple-employer defined benefit plans, and three trial courts provide pension benefits to their respective employees through cost-sharing multiple-employer defined benefit plans.

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 55 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 16 of the 22 county cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2024. Of these plans, five had a valuation date of June 30, 2024, and 11 had a valuation date of June 30, 2023. For the six remaining county cost-sharing multiple-employer plans, the net pension liability was measured as of December 31, 2024. Of these plans, four had a valuation date of December 31, 2023, one had a valuation date of January 1, 2024, and one had a valuation date of December 31, 2024. For 32 CalPERS agent multiple-employer defined benefit plans and one CalPERS cost-sharing multiple-employer defined benefit plan, the net pension liability was measured as of June 30, 2024, and valued as of June 30, 2023. One agent multiple-employer defined benefit plan and two cost-sharing multiple employer defined benefit plans administered by CalPERS did not provide an actuarial valuation for this reporting period.

Table 35 shows selected actuarial assumptions for the trial court pension plans, by plan type.

Table 35

Actuarial Methods and Assumptions – Trial Court Pension Plans

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	32	23
Valuation date(s):	June 30, 2023	Twelve plans as of June 30, 2023. Four plans as of December 31, 2023. One plan as of January 1, 2024. Five plans as of June 30, 2024. One plan as of December 31, 2024.
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 $13.3 billion and fiduciary net position of $11.1 billion, which resulted in a net pension liability of $2.2 billion as of June 30, 2025. For the fiscal year ended June 30, 2025, the State recognized pension expense of $350 million. At June 30, 2025, the State reported deferred outflows of resources of $1.0 billion and deferred inflows of resources of $308 million. The reported deferred outflows of resources included $387 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, 2026.

NOTE 12: 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 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 Retiree Health Benefits 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, 2025 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, 2024* (June 30, 2024 Actuarial Valuation Report), on the State Controller's Office website, at www.sco.ca.gov.

Table 36 shows the number of employees covered by the benefit terms.

Table 36

Number of Employees by Type Covered by Benefit Terms – Retiree Health Benefits Program
June 30, 2024

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	79,088	119,580	198,668
Bargaining Unit 5 Plan	8,123	7,116	15,239
Bargaining Unit 6 Plan	30,306	28,644	58,950
Bargaining Unit 9 Plan	9,398	14,700	24,098
Bargaining Unit 12 Plan	10,623	13,118	23,741
Other Funded Plans	33,852	52,490	86,342
Unfunded Plan	42,770	55,699	98,469
Total	**214,160**	**291,347**	**505,507**

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 39 for details on the fiduciary net positions of the OPEB plans. The maximum 2024 monthly state contribution was $983 for one-party coverage, $1,890 for two-party coverage, and $2,366 for family coverage. For the year ended June 30, 2024, the State contributed $3.7 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, 2024 (the measurement date), total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 37.

Table 37

Actuarial Methods and Assumptions – Retiree Health Benefits Program

Valuation date:	June 30, 2024
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 3.97%.
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 administrative expenses.
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2025, increasing to 7.00% in 2026, grading down to 4.50% from 2031 to 2039, and 4.25% for 2040 and later years. Post-Medicare coverage: Actual rates for 2025, increasing to rates ranging from 7.00% to 8.01% in 2026, grading down to 4.50% from 2035 to 2039, and 4.25% for 2040 and later years. Dental coverage: 0.00% for 2025, 2.00% for 2026, 3.00% for 2027, 4.00% for 2028, and 4.25% for 2029 and later years.
Mortality	Derived using CalPERS' membership data for all members.

Other demographic assumptions used in the June 30, 2024 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 2022 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2018 to 2022. 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 2022 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 38 shows the long-term expected real rate of return by asset class.

Table 38

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, 2024 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.97% as of June 30, 2024, 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 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, 2024,* on the State Controller's Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2025 valuation will be determined using The Bond Buyer Index 20-year Municipal G.O. Bond AA Index rate of 5.20% when prefunding assets are not available to pay benefits.

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Changes in Net OPEB Liability: Table 39 shows the changes in net OPEB liability for the OPEB plans, recognized over the measurement period.

Table 39

Changes in Net OPEB Liability
(amounts in thousands)

	SEIU			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	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	$ 30,131,230	$ 2,235,158	$ 27,896,072	$ 5,085,218	$ 770,749	$ 4,314,469	$ 17,069,118	$ 1,703,633	$ 15,365,485
Changes recognized for the measurement period:									
Service cost	972,829	—	972,829	133,754	—	133,754	481,770	—	481,770
Interest on total OPEB liability	1,300,226	—	1,300,226	225,844	—	225,844	744,327	—	744,327
Difference between expected and actual experiences	1,587,749	—	1,587,749	202,634	—	202,634	417,491	—	417,491
Changes of assumptions	217,938	—	217,938	58,235	—	58,235	197,812	—	197,812
Employer contributions	—	1,451,868	(1,451,868)	—	143,298	(143,298)	—	530,420	(530,420)
Employee contributions	—	289,428	(289,428)	—	27,957	(27,957)	—	124,955	(124,955)
Net investment income	—	285,389	(285,389)	—	89,804	(89,804)	—	204,115	(204,115)
Benefit payments	(1,162,440)	(1,162,440)	—	(98,136)	(98,136)	—	(405,466)	(405,466)	—
Administrative expense	—	(815)	815	—	(262)	262	—	(592)	592
Net changes	**2,916,302**	**863,430**	**2,052,872**	**522,331**	**162,661**	**359,670**	**1,435,934**	**453,432**	**982,502**
Balance at June 30, 2024 (Measurement Date)	**$ 33,047,532**	**$ 3,098,588**	**$ 29,948,944**	**$ 5,607,549**	**$ 933,410**	**$ 4,674,139**	**$ 18,505,052**	**$ 2,157,065**	**$ 16,347,987**

(continued)

Table 39 (continued)

Changes in Net OPEB Liability
(amounts in thousands)

	Bargaining Unit 9 Plan			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	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	$ 4,447,783	$ 370,812	$ 4,076,971	$ 3,926,042	$ 328,742	$ 3,597,300	$ 15,464,079	$ 1,436,284	$ 14,027,795
Changes recognized for the measurement period:									
Service cost	133,947	—	133,947	113,910	—	113,910	539,048	—	539,048
Interest on total OPEB liability	193,203	—	193,203	170,664	—	170,664	680,169	—	680,169
Difference between expected and actual experiences	224,536	—	224,536	80,475	—	80,475	604,294	—	604,294
Changes of assumptions	52,070	—	52,070	56,912	—	56,912	146,498	—	146,498
Employer contributions	—	181,486	(181,486)	—	179,906	(179,906)	—	642,054	(642,054)
Employee contributions	—	38,362	(38,362)	—	30,770	(30,770)	—	143,814	(143,814)
Net investment income	—	46,207	(46,207)	—	40,218	(40,218)	—	177,865	(177,865)
Benefit payments	(143,125)	(143,125)	—	(149,137)	(149,137)	—	(498,238)	(498,238)	—
Administrative expense	—	(132)	132	—	(116)	116	—	(510)	510
Net changes	**460,631**	**122,798**	**337,833**	**272,824**	**101,641**	**171,183**	**1,471,771**	**464,985**	**1,006,786**
Balance at June 30, 2024 (Measurement Date)	**$ 4,908,414**	**$ 493,610**	**$ 4,414,804**	**$ 4,198,866**	**$ 430,383**	**$ 3,768,483**	**$ 16,935,850**	**$ 1,901,269**	**$ 15,034,581**

(continued)

Table 39 (continued)

Changes in Net OPEB Liability
(amounts in thousands)

	Unfunded Plan			Total		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	$ 15,903,054	$ —	$ 15,903,054	**$ 92,026,524**	**$ 6,845,378**	**$ 85,181,146**
Changes recognized for the measurement period:						
Service cost	600,394	—	600,394	**2,975,652**	**—**	**2,975,652**
Interest on total OPEB liability	626,464	—	626,464	**3,940,897**	**—**	**3,940,897**
Difference between expected and actual experiences	537,274	—	537,274	**3,654,453**	**—**	**3,654,453**
Changes of assumptions	173,487	—	173,487	**902,952**	**—**	**902,952**
Employer contributions	—	552,876	(552,876)	**—**	**3,681,908**	**(3,681,908)**
Employee contributions	—	—	—	**—**	**655,286**	**(655,286)**
Net investment income	—	—	—	**—**	**843,598**	**(843,598)**
Benefit payments	(552,876)	(552,876)	—	**(3,009,418)**	**(3,009,418)**	**—**
Administrative expense	—	—	—	**—**	**(2,427)**	**2,427**
Net changes	**1,384,743**	**—**	**1,384,743**	**8,464,536**	**2,168,947**	**6,295,589**
Balance at June 30, 2024 (Measurement Date)	**$ 17,287,797**	**$ —**	**$ 17,287,797**	**$ 100,491,060**	**$ 9,014,325**	**$ 91,476,735**

[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, 2024, and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Reported in governmental activities	$ 71,809,905
Reported in business-type activities	16,862,094
Reported by discretely presented component units	116,650
Not reported in government-wide Statement of Net Position[1]	2,688,086
Total net OPEB liability	**$ 91,476,735**

(concluded)

Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates: Table 40 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 3.97% to 4.50% , 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 40

Net OPEB Liability Sensitivity to Changes in Blended Discount Rates
June 30, 2025
(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates -1%	Blended Discount Rates	Blended Discount Rates +1%
Service Employees International Union (SEIU) Plan	4.39%	$ 35,200,537	$ 29,948,944	$ 25,676,294
Bargaining Unit 5 Plan	4.46%	5,709,372	4,674,139	3,863,355
Bargaining Unit 6 Plan	4.38%	19,589,573	16,347,987	13,785,719
Bargaining Unit 9 Plan	4.38%	5,190,591	4,414,804	3,783,546
Bargaining Unit 12 Plan	4.39%	4,402,588	3,768,483	3,251,339
Other Funded Plans	4.33% to 4.50%	17,844,987	15,034,581	12,775,339
Unfunded Plan	3.97%	19,921,007	17,287,797	15,137,875
Total		**$ 107,858,655**	**$ 91,476,735**	**$ 78,273,467**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: Table 41 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 37, 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 37.

Table 41

Net OPEB Liability Sensitivity to Changes in the Healthcare Cost Trend Rates
June 30, 2025
(amounts in thousands)

OPEB Plan	Healthcare Cost Trend Rates -1%	Healthcare Cost Trend Rates	Healthcare Cost Trend Rates +1%
Service Employees International Union (SEIU) Plan	$ 25,285,764	$ 29,948,944	$ 35,875,277
Bargaining Unit 5 Plan	3,830,394	4,674,139	5,763,512
Bargaining Unit 6 Plan	13,672,282	16,347,987	19,768,952
Bargaining Unit 9 Plan	3,732,156	4,414,804	5,278,409
Bargaining Unit 12 Plan	3,220,839	3,768,483	4,455,707
Other Funded Plans	12,583,174	15,034,581	18,171,242
Unfunded Plan	14,954,983	17,287,797	20,238,290
Total	**$ 77,279,592**	**$ 91,476,735**	**$ 109,551,389**

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of $3.2 billion for the year ended June 30, 2025. 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, 2025, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 42.

Table 42

OPEB Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to OPEB
June 30, 2025
(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan	Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
OPEB Expense	$ 787,811	$ 135,934	$ 730,188	$ 190,806	$ 120,817	$ 575,150	$ 644,765	**$ 3,185,471**
Deferred Outflows of Resources:								
Employer contributions subsequent to the measurement date	1,601,419	146,371	562,863	200,024	196,605	720,144	616,066	**4,043,492**
Difference between expected and actual experiences	2,061,948	173,971	800,039	363,931	194,046	1,256,434	1,112,538	**5,962,907**
Changes of assumptions	1,327,664	362,584	926,879	170,808	158,928	851,623	844,810	**4,643,296**
Net difference between projected and actual earnings on OPEB plan investments	—	1,674	—	—	—	—	—	**1,674**
Deferred Inflows of Resources:								
Difference between expected and actual experiences	1,483,857	293,460	564,919	142,972	207,766	882,808	853,303	**4,429,085**
Changes of assumptions	3,755,849	673,235	1,783,009	497,090	419,586	1,946,018	2,354,627	**11,429,414**
Net difference between projected and actual earnings on OPEB plan investments	16,724	—	1,074	1,762	934	5,423	—	**25,917**

The $4.0 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026.

Table 43 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 43

Recognition of Deferred Outflows and Deferred Inflows of Resources Related to OPEB
(amounts in thousands)

	Year Ending June 30					
OPEB Plan	**2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**
Service Employees International Union (SEIU) Plan	$ (532,378)	$ (553,720)	$ (611,517)	$ (510,528)	$ (76,838)	$ 418,163
Bargaining Unit 5	(131,019)	(180,325)	(197,888)	33,262	42,673	4,831
Bargaining Unit 6	(211,424)	(238,032)	(343,969)	84,783	86,558	—
Bargaining Unit 9	(53,738)	(54,913)	(62,311)	(37,890)	52,096	49,671
Bargaining Unit 12	(106,628)	(89,628)	(75,229)	(39,828)	19,094	16,907
Other Funded Plans	(297,964)	(226,808)	(213,054)	(108,414)	28,607	91,441
Unfunded Plan	(346,943)	(314,874)	(343,947)	(298,234)	(74,354)	127,770
Total	**$ (1,680,094)**	**$ (1,658,300)**	**$ (1,847,915)**	**$ (876,849)**	**$ 77,836**	**$ 708,783**

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, 40 trial courts participate in an agent multiple-employer defined benefit OPEB plan, and 10 trial courts participate in single-employer defined benefit OPEB plans. Four trial courts (Fresno, Kings, Mendocino, 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, 2024 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2024. One of the courts had an actuarial valuation date of December 31, 2023, 52 courts were valued as of June 30, 2023, and one court was valued as of June 30, 2024.

Table 44 shows selected actuarial assumptions for the trial court OPEB plans, by plan type.

Table 44

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, 2023	June 30, 2023	One plan as of June 30, 2023. One plan as of December 31, 2023. One plan as of June 30, 2024.
Actuarial assumptions:			
Discount rate	Single rate of 3.97%.	Blended and single rates ranging from 3.97% to 7.00%.	Single rates ranging from 6.50% to 7.00%.
Healthcare cost trend rates	Initial rate of 7.60% in 2024, gradually decreasing to an ultimate rate of 3.90% over 52 years per the Society of Actuaries Getzen model.	Initial rate of 7.60% in 2024, gradually decreasing to an ultimate rate of 3.90% over 52 years per the Society of Actuaries Getzen model.	Initial rates ranging from 7.00% to 8.50%, decreasing gradually to ultimate rates ranging from 3.45% to 4.50% in 2035 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, 2024 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.97% as of June 30, 2024, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.25% to 7.00% when prefunding assets are available to pay benefits. Single rates range from 3.97% 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 $366 million, which resulted in a net OPEB liability of $1.5 billion as of June 30, 2025, reported in governmental activities. For the year ended June 30, 2025, the State recognized OPEB expense of $26 million. At June 30, 2025, the State reported deferred outflows of resources of $225 million and deferred inflows of resources of $432 million. Deferred outflows of resources included $89 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, 2026.

NOTE 13: 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 program 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, 2025, 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, 2025, the general obligation commercial paper program had $1.0 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 $1.1 billion. As of June 30, 2025, the enterprise fund commercial paper program had $349 million in outstanding notes.

The primary government has a commercial paper program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2025, $289 million in outstanding commercial paper existed in anticipation of the primary government issuing revenue bonds to the public.

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

NOTE 14: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The State leases land, buildings, equipment, and other assets as a lessee under a variety of noncancellable long-term lease agreements. The State also has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology software. As of June 30, 2025, the primary government had a lease liability of $2.7 billion and a subscription liability of $149 million for governmental activities. For business-type activities, the lease liability was $562 million, and the subscription liability was $103 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 2.92% to 3.70%, depending on the duration of the lease or subscription term at the inception of each lease or SBITA agreement during the 2024-25 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 45 includes the principal and interest requirements to maturity for the lease liability of the primary government.

Table 45

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

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 453,150	$ 46,478	$ 194,824	$ 21,833	$ 647,974	$ 68,311
2027	410,877	39,778	32,674	12,375	443,551	52,153
2028	349,751	33,069	28,153	11,250	377,904	44,319
2029	288,169	27,220	26,286	10,421	314,455	37,641
2030	229,811	22,376	25,626	9,654	255,437	32,030
2031-2035	656,348	56,141	104,182	38,040	760,530	94,181
2036-2040	193,233	14,279	74,490	23,529	267,723	37,808
2041-2045	36,935	3,486	48,365	11,028	85,300	14,514
2046-2050	11,955	1,741	18,716	4,138	30,671	5,879
2051-2055	10,328	848	7,949	1,336	18,277	2,184
Thereafter	10,400	536	658	871	11,058	1,407
Total	**$ 2,650,957**	**$ 245,952**	**$ 561,923**	**$ 144,475**	**$ 3,212,880**	**$ 390,427**
Less: current portion	453,150		194,824		647,974	
Lease liability, net of current portion	**$ 2,197,807**		**$ 367,099**		**$ 2,564,906**	

Table 46 includes the principal and interest requirements to maturity for the subscription liability of the primary government.

Table 46

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

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 79,263	$ 3,629	$ 47,650	$ 4,625	$ 126,913	$ 8,254
2027	50,908	1,361	32,748	2,529	83,656	3,890
2028	12,894	380	12,303	1,104	25,197	1,484
2029	6,049	101	8,180	511	14,229	612
2030	88	—	1,436	103	1,524	103
2031-2035	117	—	849	85	966	85
Total	**$ 149,319**	**$ 5,471**	**$ 103,166**	**$ 8,957**	**$ 252,485**	**$ 14,428**
Less: current portion	79,263		47,650		126,913	
Subscription liability, net of current portion	**$ 70,056**		**$ 55,516**		**$ 125,572**	

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 $96 million from variable lease payments and $8 million from variable subscription payments for the year ended June 30, 2025.

As of June 30, 2025, the discretely presented component units, including the University of California (UC) 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 UC's lease and subscription liabilities are included in the UC'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 15: COMMITMENTS

As of June 30, 2025, the primary government had commitments of $10.0 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 $8.4 billion from proceeds of approved federal grants and $1.6 billion from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of $2.0 billion for various education programs, $1.1 billion for housing and community development programs, $442 million for services provided under various public health programs, $237 million for community service programs, $27 million for service and community engagement programs, $22 million for services provided under the child support program, $738 million for terrorism prevention and disaster-preparedness response projects, $10 million for land use and climate innovation programs, and $4 million for services provided under the welfare program.

The primary government had other commitments, totaling $30.8 billion, that are not included as liabilities on the Balance Sheet or the Statement of Net Position. The $30.8 billion in commitments includes grant agreements totaling approximately $21.8 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 $30.8 billion in commitments includes $2.4 billion in undisbursed loan commitments to qualified agencies for clean water projects and $3.5 billion in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The $30.8 billion in commitments also includes contracts of $763 million for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of $1.0 billion for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2025, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $17 million in electricity through December 2025. The California State Lottery Commission had commitments of $1.3 billion 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, 2025, the primary government encumbered expenditures of $13.5 billion for the General Fund, $3.8 billion for the Environmental and Natural Resources Fund, and $7.7 billion for the nonmajor governmental funds. The primary government also encumbered expenditures of $1.1 billion for the Federal Fund, which will typically be reimbursed by the federal government. See Note 3, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2025, 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 (UC) 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 16: 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, 2025, the State had $71.9 billion in outstanding general obligation bonds related to governmental activities and $899 million related to business-type activities. In addition, $43.8 billion in long-term general obligation bonds had been authorized but not issued, of which $43.3 billion is related to governmental activities and $504 million is related to business-type activities. The total amount authorized but not issued (which may first be issued as commercial paper notes) includes $5.3 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes or bonds. In addition, the State had $1.0 billion in general obligation indebtedness in the form of commercial paper notes that had been issued but not yet retired by long-term bonds as of June 30, 2025.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2025, the State had $1.2 billion in outstanding variable-rate general obligation bonds, consisting of $71 million in daily-rate bonds with credit enhancement, and $1.2 billion 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 2024-25 fiscal year.

As of June 30, 2025, the letters of credit for the Series 2003 variable-rate bonds had expiration dates of August 25, 2025 and May 10, 2028. The letter of credit for the Series 2004 variable-rate bonds had an expiration date of December 29, 2025. The letters of credit for the Series 2005 variable-rate bonds had expiration dates of May 8, 2026 and February 25, 2028. The letters of credit for the Series 2024 variable-rate bonds had expiration dates of October 8, 2027 and October 9, 2029.

Sinking fund deposits, if any, for the variable-rate general obligation bonds issued prior to 2024 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 such 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 2024-25 fiscal year.

Sinking fund payments for the variable-rate general obligation bonds issued during 2024 are expected to be made in accordance with the applicable mandatory sinking fund schedules for the related issues.

B. Build America Bonds

As of June 30, 2025, 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 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, 2031. 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 47 shows the debt service requirements for all general obligation bonds as of June 30, 2025. The estimated debt service requirements for the $1.2 billion variable-rate general obligation bonds, which are included as part of Governmental Activities, are calculated using the actual interest rates in effect on June 30, 2025. 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 47

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

	Governmental Activities			Business-type Activities		
Year Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2026	$ 3,598,775	$ 3,518,740	$ 7,117,515	$ 8,510	$ 34,006	$ 42,516
2027	3,905,310	3,360,590	7,265,900	30,805	32,586	63,391
2028	3,929,160	3,189,162	7,118,322	27,995	31,766	59,761
2029	4,010,245	3,010,293	7,020,538	32,425	30,899	63,324
2030	4,501,345	2,806,672	7,308,017	47,920	29,627	77,547
2031-2035	19,758,155	11,158,568	30,916,723	182,255	127,225	309,480
2036-2040	16,266,600	6,321,108	22,587,708	124,840	102,780	227,620
2041-2045	8,088,500	2,473,801	10,562,301	164,800	77,403	242,203
2046-2050	5,165,465	1,053,472	6,218,937	151,705	44,651	196,356
2051-2055	2,648,615	298,376	2,946,991	118,695	14,858	133,553
2056-2060	—	—	—	9,110	212	9,322
Total	**$ 71,872,170**	**$ 37,190,782**	**$ 109,062,952**	**$ 899,060**	**$ 526,013**	**$ 1,425,073**

D. General Obligation Bond Defeasances

1. Current Year Activity

On September 5, 2024, the primary government issued $1.8 billion in general obligation bonds to current refund $1.9 billion of outstanding fixed rate and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended 2025 to 2038, 2040, and 2045. 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 $269 million and resulted in an economic gain of $199 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 3.18% per year over the life of the new bonds.

On November 5, 2024, the primary government issued $532 million in general obligation bonds to current refund $571 million of outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended 2026 to 2035, and 2045. 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 $106 million and resulted in an economic gain of $65 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.98% per year over the life of the new bonds.

On March 27, 2025, the primary government issued $30 million in general obligation bonds to advance refund $32 million of outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended 2031 to 2033, 2035 to 2036, 2044, and 2047. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $7 million. The purpose of this refunding was to effect a favorable reorganization of the debt structure of the State.

On April 10, 2025, the primary government issued $1.4 billion in general obligation bonds to current and advance refund $1.5 billion of outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended 2026 to 2033, 2035 to 2038, and 2045. 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 $134 million and resulted in an economic gain of $91 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 3.83% 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, 2025, there are $777 million in outstanding defeased general obligation bonds.

NOTE 17: REVENUE BONDS

A. Governmental Activities

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 $2.1 billion, payable through 2041. Interest paid in the current year totaled $57 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 $8.3 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 $377 million, while Tobacco Settlement Revenue and interest earned totaled $370 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, 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. 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 $12.8 billion, payable through 2050. 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 (UC) 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 UC. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the UC, refer to its separately issued financial report for the fiscal year 2024-25, 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 Secured Overnight Financing Rate (SOFR) or the Effective Federal Fund Rate (EFFR) 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 and are not liabilities of the State. 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 2024-25, which may be found on its website at www.CalHFA.ca.gov.

Table 48 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 48

Schedule of Revenue Bonds Payable
June 30, 2025
(amounts in thousands)

Primary government	
Governmental activities	
Public Buildings Construction Fund	$ 9,686,253
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	5,398,218
No Place Like Home Program	1,577,425
Total governmental activities	**16,661,896**
Business-type activities	
Water Resources Fund	3,213,307
California State University	10,265,993
Nonmajor enterprise funds	2,171,002
Total business-type activities	**15,650,302**
Total primary government	**32,312,198**
Discretely presented component units	
University of California	35,428,278
California Housing Finance Agency	459,340
Nonmajor component units	879,433
Total discretely presented component units	**36,767,051**
Total revenue bonds payable	**$ 69,079,249**

Table 49 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 49

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

	Primary Government				Discretely Presented Component Units	
	Governmental Activities		Business-type Activities			
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest *
2026	$ 796,035	$ 617,292	$ 628,885	$ 570,905	$ 1,020,493	$ 1,500,893
2027	830,080	585,761	669,280	548,428	1,238,895	1,450,666
2028	869,440	555,506	703,445	524,218	805,466	1,412,468
2029	898,460	535,911	712,335	496,814	1,250,534	1,377,005
2030	901,216	504,305	730,975	468,799	1,879,685	1,312,176
2031-2035	4,448,683	2,024,561	3,339,120	1,907,044	6,852,082	5,683,307
2036-2040	3,397,299	1,287,853	2,274,085	1,301,761	6,190,087	4,132,299
2041-2045	1,941,343	903,269	2,224,015	857,808	4,750,078	2,780,020
2046-2050	1,536,978	351,201	2,070,775	410,797	4,238,865	1,770,603
2051-2055	77,500	3,875	1,022,445	91,933	3,158,328	922,088
2056-2060	—	—	100,545	10,136	1,171,554	587,782
2061 and thereafter	172,510	—	—	—	1,717,876	4,159,785
Total	**$ 15,869,544**	**$ 7,369,534**	**$ 14,475,905**	**$ 7,188,643**	**$ 34,273,943**	**$ 27,089,092**

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2025.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2024-25 fiscal year, the SPWB issued $796 million in lease revenue refunding bonds. The bond proceeds were used to refund $904 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 $154 million and resulted in an economic gain of $125 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

2. 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, 2025, the outstanding balance of defeased revenue bonds were $855 million for governmental activities and $143 million for business-type activities.

NOTE 18: 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 $6.7 billion as of June 30, 2025. 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 $9.3 billion is discounted to $6.7 billion using a 3.5% interest rate. Of the total discounted liability, $683 million is a current liability, of which $517 million is included in the General Fund, $162 million in the special revenue funds, and $4 million in the internal service funds. The remaining $6.0 billion is reported as workers' compensation benefits payable in the government-wide Statement of Net Position.

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

Table 50 shows the changes in the self-insurance claims liability for the primary government.

Table 50

Schedule of Changes in Self-insurance Claims
Year Ended June 30
(amounts in thousands)

	2025	2024
Unpaid claims, beginning	$ 6,338,487	$ 6,036,847
Incurred claims	1,107,500	988,231
Claim payments	(740,157)	(686,591)
Unpaid claims, ending	**$ 6,705,830**	**$ 6,338,487**

NOTE 19: 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 51 shows the amounts due from and due to other funds.

Table 51

Schedule of Due From Other Funds and Due To Other Funds
June 30, 2025
(amounts in thousands)

	Due To									
Due From	General Fund	Environmental and Natural Resources Fund	Nonmajor Governmental Fund	State Lottery Fund	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Governmental funds										
General Fund	$ —	$ —	$ 1,071,032	$ —	$ 102,350	$ 2,833	$ —	$ 344,876	$ 48,000	$ 1,569,091
Federal Fund	4,601,878	65,571	1,321,942	—	—	—	13,981	103,748	—	6,107,120
Environmental and Natural Resources Fund	29,784	—	297,353	—	—	—	—	25,233	—	352,370
Nonmajor governmental funds	4,778,238	7,514	382,146	—	—	—	—	104,221	58,415	5,330,534
Total governmental funds	**9,409,900**	**73,085**	**3,072,473**	**—**	**102,350**	**2,833**	**13,981**	**578,078**	**106,415**	**13,359,115**
Enterprise funds										
Water Resources Fund	1	294	—	—	—	—	—	152,719	—	153,014
State Lottery Fund	1,536	—	405,855	—	—	—	—	—	—	407,391
Nonmajor enterprise funds	1,988	13,708	277	—	—	—	—	—	74	16,047
Total enterprise funds	**3,525**	**14,002**	**406,132**	**—**	**—**	**—**	**—**	**152,719**	**74**	**576,452**
Internal service funds	13,433	262,951	300,058	10,575	38,749	—	18,444	147,616	1,496	**793,322**
Total due from other funds	**$ 9,426,858**	**$ 350,038**	**$ 3,778,663**	**$ 10,575**	**$ 141,099**	**$ 2,833**	**$ 32,425**	**$ 878,413**	**$ 107,985**	**$ 14,728,889**

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 51, 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 $1.1 billion of interfund loans. There is an additional $21 million reported as loans receivable from entities outside of the State's primary government.

Table 52 shows the primary government's interfund receivables and payables.

Table 52

Schedule of Interfund Receivables and Payables
June 30, 2025
(amounts in thousands)

	Interfund Payables								
Interfund Receivables	**General Fund**	**Environmental and Natural Resources Fund**	**Nonmajor Governmental Fund**	**Water Resources Fund**	**Unemployment Programs Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total Interfund Payables**
Governmental funds									
General Fund	$ —	$ 1,203,303	$ 2,759,268	$ —	$ 400,848	$ 3,700	$ 22,199	$ 11,975	$ 4,401,293
Environmental and Natural Resources Fund	—	—	—	—	—	—	2,227	—	2,227
Nonmajor governmental funds	5,681	10,345	6,605	—	1,631	61	737	197	25,257
Total governmental funds	**5,681**	**1,213,648**	**2,765,873**	**—**	**402,479**	**3,761**	**25,163**	**12,172**	**4,428,777**
Enterprise funds									
Nonmajor enterprise funds	28,520	—	—	—	—	—	—	—	28,520
Total enterprise funds	**28,520**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**28,520**
Internal service funds	2,670,340	—	—	180,600	—	—	15,019	—	2,865,959
Total interfund receivables	**$ 2,704,541**	**$ 1,213,648**	**$ 2,765,873**	**$ 180,600**	**$ 402,479**	**$ 3,761**	**$ 40,182**	**$ 12,172**	**$ 7,323,256**

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

Table 53

Schedule of Due From Primary Government and Due To Component Units
June 30, 2025
(amounts in thousands)

Due From	Due To Component Units: University of California	Due To Component Units: Nonmajor Component Units	Total
Governmental funds			
General Fund	$ 485,014	$ —	$ 485,014
Federal Fund	476,365	—	476,365
Environmental and Natural Resources Fund	5,750	80	5,830
Nonmajor governmental funds	75,932	—	75,932
Total governmental funds	**1,043,061**	**80**	**1,043,141**
Total due from primary government	**$ 1,043,061**	**$ 80**	**$ 1,043,141**

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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 $5.4 billion to the California State University, an enterprise fund. The General Fund also transferred $3.6 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 $2.8 billion to General Fund for the emergency relief.

Table 54 shows interfund transfers of the primary government.

Table 54

Schedule of Interfund Transfers
June 30, 2025
(amounts in thousands)

Transferred From	Transferred To: General Fund	Federal Fund	Environmental and Natural Resources Fund	Nonmajor Governmental Fund	California State University Fund	Internal Service Funds	Total Transfers To Other Funds
Governmental funds							
General Fund	$ —	$ 2,100	$ 651,571	$ 3,637,570	$ 5,349,759	$ 126,418	$ 9,767,418
Federal Fund	2,797,706	—	21,523	10,619	—	—	2,829,848
Environmental and Natural Resources Fund	291,273	—	—	2,054	—	—	293,327
Nonmajor governmental funds	57,599	—	44,020	2,646,524	—	—	2,748,143
Total governmental funds	**3,146,578**	**2,100**	**717,114**	**6,296,767**	**5,349,759**	**126,418**	**15,638,736**
Internal service funds	56,835	—	—	—	—	—	56,835
Total transfers from other funds	**$ 3,203,413**	**$ 2,100**	**$ 717,114**	**$ 6,296,767**	**$ 5,349,759**	**$ 126,418**	**$ 15,695,571**

NOTE 20: FUND BALANCES, NET POSITION DEFICITS, AND ENDOWMENTS

A. Fund Balances

Table 55 shows the composition of the governmental fund balances.

Table 55

Schedule of Fund Balances by Function
June 30, 2025
(amounts in thousands)

	General Fund	Federal Fund	Environmental and Natural Resources Fund	Nonmajor Governmental Funds
Nonspendable				
Long-term interfund receivables	$ 2,704,541	$ —	$ —	$ —
Long-term loans receivable	649,581	—	—	—
Other	—	—	—	16,235
Total nonspendable	**3,354,122**	**—**	**—**	**16,235**
Restricted				
General government	27,875	432,759	18,449	7,542,311
Education	86,645	—	—	987,178
Health and human services	732,469	1,616	93,741	6,585,700
Natural resources and environmental protection	—	780	8,419,873	615,989
Business, consumer services, and housing	3,584	518,578	105,166	7,520,615
Transportation	—	—	—	11,055,236
Corrections and rehabilitation	321,241	—	—	343,983
Budget stabilization	18,291,422	—	—	—
Total restricted	**19,463,236**	**953,733**	**8,637,229**	**34,651,012**
Committed				
General government	316,496	—	14,734	961,395
Education	177,150	—	—	45,008
Health and human services	177,958	—	—	1,305,041
Natural resources and environmental protection	1,427,920	—	17,145,927	453,213
Business, consumer services, and housing	—	—	140,163	203,603
Transportation	—	—	—	57,862
Corrections and rehabilitation	—	—	—	892
Total committed	**2,099,524**	**—**	**17,300,824**	**3,027,014**
Assigned				
General government	9,022,550	—	—	85,892
Education	50,094	—	—	—
Health and human services	12,140,724	—	—	—
Natural resources and environmental protection	5,292,217	—	—	—
Business, consumer services, and housing	772,514	—	—	—
Transportation	954,040	—	—	—
Corrections and rehabilitation	1,189,398	—	—	—
Total assigned	**29,421,537**	**—**	**—**	**85,892**
Unassigned	3,510,175	(421,062)	—	—
Total fund balances	**$ 57,848,594**	**$ 532,671**	**$ 25,938,053**	**$ 37,780,153**

B. Net Position Deficits

Table 56 shows the net position deficit balances.

Table 56

Schedule of Net Position Deficits
June 30, 2025
(amounts in thousands)

	Internal Service Funds	Enterprise Funds
Architecture Revolving	$ 1,876	$ —
Service Revolving Fund	622,079	—
Technology Services Revolving Fund	217,286	—
Water Resources Revolving Fund	12,950	—
Other Internal Service Programs Fund	757,366	—
State Lottery Fund	—	288,358
Unemployment Programs Fund	—	14,280,523
California State University Fund	—	13,912,886
Total net position deficits	**$ 1,611,557**	**$ 28,481,767**

C. Discretely Presented Component Unit Endowments and Gifts

The University of California (UC), 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, 2025, the value of restricted endowments and gifts totaled $31.8 billion, and unrestricted endowments and gifts totaled $12.1 billion. The UC'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 $4.3 billion at June 30, 2025. 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 College of the Law, San Francisco, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of $2.2 billion and $25 million, respectively.

NOTE 21: 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, 2025, CalHFA had $6.8 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, 2025, the nonmajor component units had approximately $7.4 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 22: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2025; those in progress as of June 30, 2025, and settled or decided against the primary government as of May 5, 2026; and those having a high probability of resulting in a decision against the primary government as of May 5, 2026, 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 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.

The primary government is a defendant in more than 660 coordinated cases related to the Palisades Fire in 2025. Plaintiffs claim the State improperly owned, operated, controlled and/or maintained Topanga State Park by allowing mature dry chaparral to grow unchecked in and/or around the Temescal Canyon Trail near Skull Rock, knowing that chaparral is known to burn underground without visible flames for weeks. After being subjected to fire on January 1, 2025, the growth this chaparral continued to burn, resulting in the Palisades Fire. Plaintiffs also allege that the state defendants failed to contain the fire, allowing it to escape into the Pacific Palisades and Malibu. The Court sustained the State's demurrer in part and overruled in part. The State filed a writ petition on April 20, 2026 and awaits a ruling on a request for a stay of discovery. Prior to hearing the demurrer, the court has ordered coordinated late claim filing procedures and limited discovery of state and county personnel. The potential loss cannot be estimated at this time given the number of claimants and varying property values, and because the period to file late claim petitions has not yet expired; however, the total loss can easily exceed $1.0 billion.

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 (UC), 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 UC, CalHFA, and certain nonmajor discretely presented component units may incur a liability to the federal government.

NOTE 23: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2025, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2025, the California State University (CSU) issued $1.7 billion in revenue bonds to finance and refinance projects to acquire, construct, improve, and renovate CSU facilities, to refund certain outstanding systemwide revenue bonds, and to pay related issuance costs.

In December 2025 and January and February 2026, the University of California (UC), a major component unit, through its conduit, issued a total of $4.3 billion in revenue bonds to finance or refinance certain capital projects of the UC, including the Series 2026 projects related to the development and historic rehabilitation of the McAllister Tower at UC Law San Francisco, refund certain prior bonds, and pay related issuance cost.

In September and October 2025, and March and April 2026 the primary government issued a total of $6.8 billion in general obligation bonds to fund various capital projects, to pay certain commercial paper notes as they mature, to pay related issuance costs, and to refund outstanding bonds.

In October 2025 and March 2026, the State Public Works Board issued a total of $1.4 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 October 2025 and April 2026 the primary government issued a total of $171 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 fund deferred payment assistant loans for the closing costs of the residential property.

In December 2025 and March 2026, the California Infrastructure and Economic Development Bank (I-Bank), a component unit, issued $679 million in Clean Water and Drinking Water Revolving Revenue Bond to advance refund and defease a portion of its outstanding bonds, to fund construction projects, and to pay related issuance costs.

In February 2026, the Department of Water Resources issued $546 million in revenue bonds to repay all of the outstanding commercial paper, fund interest on a portion of outstanding bonds, pay related issuance costs, and fund construction of water system projects.

B. Other

California experienced significant wildfire activity in 2025, with approximately 8,232 fires and 507,817 acres burned. As of April 2026, there have been 841 fires and 9,756 acres burned in the 2026 calendar year. The 2026-27 Governor's Budget proposes includes $314 million to continue investments in various wildfire and forest resilience projects and programs. This includes $58 million to fund wildfire prevention and hazardous fuels reduction near threatened communities, $20 million for technical and financial assistance to help homeowners in vulnerable areas, and $15 million for grants in coordination with the Office of Energy Infrastructure Safety to further support fuel reduction in at-risk communities.

California continues to experience large swings between drought and flood conditions; these swings are becoming more severe due to climate change. The Governor's Budget proposes $792 million to continue investments that improve water storage, replenish groundwater, improve conditions in streams and rivers, and complete various water resilience and water-related infrastructure projects. The Governor's Budget commits to spending $232 million for flood control projects, $173 million for drinking water projects, and $69 million for repairs to existing or new water conveyance projects.

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 July 1, 2025, the State had $20.6 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 $415 million after the fiscal year, to a balance of approximately $21.0 billion as of April 14, 2026.

On July 4, 2025, the federal government enacted the One Big Beautiful Bill Act (Public Law No: 119-21), which impacts the federal Medicaid program and potentially impacts state and county health and social services programs, including the Supplemental Nutrition Assistance Program (SNAP). According to the Governor's Office, the new law could put 3.4 million Californians at risk of losing their health insurance coverage due to the proposed Medicaid changes, which could result in billions of dollars in annual federal funding reductions for California. The Governor's Office also stated that anticipated cuts to federal funding of up to $4.0 billion annually for SNAP could eliminate essential food assistance to hundreds of thousands of Californians. According to the State's Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2024, California received $13.8 billion for SNAP and $92.0 billion for Medicaid. For the fiscal year ended June 30, 2025, California received $13.9 billion for SNAP and $102.4 billion for Medicaid.

In the November 4, 2025, general election, California voters approved the following proposition:

- Proposition 50 requires California to use new legislatively enacted congressional district maps for all congressional elections through 2030. The measure retains the California Citizens Redistricting Commission and directs the nonpartisan commission to resume enacting revisions to congressional district maps beginning in 2031 (after the 2030 census) and every ten years thereafter. The implementation of this legislation is expected to have a one-time cost to counties of up to a few million dollars statewide to update election materials, and a one-time state cost of approximately $200,000. Chapter 97 of Senate Bill No. 280 appropriated $251 million from the General Fund to cover the cost of conducting the statewide special election.

Required Supplementary Information

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Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Ten Fiscal Years
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
STATE MISCELLANEOUS[1]										
Total pension liability										
Service cost	$ 1,576,695	$ 1,668,682	$ 1,927,531	$ 1,953,761	$ 2,042,862	$ 2,125,738	$ 2,212,280	$ 2,438,345	$ 2,566,832	$ 2,713,022
Interest on total pension liability	6,970,837	7,220,961	7,381,049	7,571,997	7,970,572	8,288,391	8,603,225	8,752,910	9,166,157	9,509,569
Differences between expected and actual experience	693,639	(101,381)	(387,041)	445,743	2,032,459	742,481	628,341	(1,115,641)	2,105,822	910,930
Changes of assumptions	—	—	5,667,561	(1,377,556)	—	—	—	3,728,965	—	—
Benefit payments, including refunds of employee contributions	(5,098,222)	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)	(7,174,817)	(7,569,642)	(7,910,411)
Net change in total pension liability	4,142,949	3,441,398	9,016,393	2,728,096	5,855,155	4,642,694	4,592,822	6,629,762	6,269,169	5,223,110
Total pension liability – beginning	**92,189,174**	**96,332,123**	**99,773,521**	**108,789,914**	**111,518,010**	**117,373,165**	**122,015,859**	**126,608,681**	**133,238,443**	**139,507,612**
Total pension liability – ending (a)	**$ 96,332,123**	**$ 99,773,521**	**$ 108,789,914**	**$ 111,518,010**	**$ 117,373,165**	**$ 122,015,859**	**$ 126,608,681**	**$ 133,238,443**	**$ 139,507,612**	**$ 144,730,722**
Plan fiduciary net position										
Contributions – employer	$ 2,608,785	$ 2,818,406	$ 3,094,941	$ 7,044,360	$ 3,777,484	$ 5,008,537	$ 3,778,435	$ 5,110,276	$ 6,271,650	$ 6,093,536
Contributions – employee	771,046	801,023	843,772	870,402	942,980	1,005,830	928,152	1,081,816	1,144,462	1,273,742
Net investment income	1,505,042	339,588	7,329,859	6,127,761	5,163,147	4,138,143	19,299,096	(7,836,089)	5,874,720	9,590,976
Benefit payments, including refunds of employee contributions	(5,098,222)	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)	(7,174,817)	(7,569,642)	(7,910,411)
Net plan to plan resource movement	(354)	(1,154)	(2,737)	(1,340)	(1,344)	(4,213)	(2,558)	(2,559)	(1,850)	(480)
Administrative expense	(76,678)	(41,497)	(98,419)	(112,592)	(57,163)	(118,050)	(87,165)	(64,984)	(70,176)	(82,250)
Other miscellaneous income/(expense)	—	—	—	(213,815)	185	—	—	—	—	—
Net change in plan fiduciary net position	(290,381)	(1,430,498)	5,594,709	7,848,927	3,634,551	3,516,331	17,064,936	(8,886,357)	5,649,164	8,965,113
Plan fiduciary net position – beginning	**68,380,562**	**68,090,181**	**66,659,683**	**72,254,392**	**80,103,319**	**83,737,870**	**87,254,201**	**104,318,730** *	**95,432,373**	**101,081,537**
Plan fiduciary net position – ending (b)	**$ 68,090,181**	**$ 66,659,683**	**$ 72,254,392**	**$ 80,103,319**	**$ 83,737,870**	**$ 87,254,201**	**$ 104,319,137**	**$ 95,432,373**	**$ 101,081,537**	**$ 110,046,650**
State's net pension liability – ending (a) – (b)	**$ 28,241,942**	**$ 33,113,838**	**$ 36,535,522**	**$ 31,414,691**	**$ 33,635,295**	**$ 34,761,658**	**$ 22,289,544**	**$ 37,806,070**	**$ 38,426,075**	**$ 34,684,072**
Plan fiduciary net position as a percentage of the total pension liability	70.68 %	66.81 %	66.42 %	71.83 %	71.34 %	71.51 %	82.39 %	71.63 %	72.46 %	76.04 %
Covered payroll	$ 10,640,884	$ 11,189,932	$ 11,591,576	$ 12,254,527	$ 12,913,195	$ 13,579,610	$ 12,909,399	$ 14,727,596	$ 15,486,977	$ 16,690,904
State's net pension liability as a percentage of covered payroll	265.41 %	295.93 %	315.19 %	256.35 %	260.47 %	255.98 %	172.66 %	256.70 %	248.12 %	207.80 %

(continued)

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

[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.

* Beginning balance of pension assets was restated from the prior period.

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

For the Past Ten Fiscal Years
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
STATE INDUSTRIAL[1]										
Total pension liability										
Service cost	$ 100,006	$ 107,868	$ 124,792	$ 119,521	$ 127,006	$ 131,508	$ 136,918	$ 145,767	$ 151,085	$ 157,301
Interest on total pension liability	257,527	273,308	290,058	301,134	324,909	343,896	363,230	374,401	398,940	419,207
Differences between expected and actual experience	26,976	7,009	21,516	(19,063)	106,233	24,610	21,852	(65,431)	97,355	22,880
Changes of assumptions	—	—	245,450	(54,062)	—	—	—	153,761	—	—
Benefit payments, including refunds of employee contributions	(157,029)	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)	(255,704)	(273,392)	(291,180)
Net change in total pension liability	227,480	220,826	504,162	156,847	352,604	279,102	283,812	352,794	373,988	308,208
Total pension liability – beginning	**3,367,907**	**3,595,387**	**3,816,213**	**4,320,375**	**4,477,222**	**4,829,826**	**5,108,928**	**5,392,740**	**5,745,534**	**6,119,522**
Total pension liability – ending (a)	**$ 3,595,387**	**$ 3,816,213**	**$ 4,320,375**	**$ 4,477,222**	**$ 4,829,826**	**$ 5,108,928**	**$ 5,392,740**	**$ 5,745,534**	**$ 6,119,522**	**$ 6,427,730**
Plan fiduciary net position										
Contributions – employer	$ 107,238	$ 116,730	$ 123,163	$ 241,062	$ 148,494	$ 244,773	$ 128,161	$ 187,745	$ 256,851	$ 231,104
Contributions – employee	49,482	52,775	54,114	58,404	61,338	65,268	58,867	67,664	70,548	78,425
Net investment income	62,385	14,444	322,150	272,379	233,027	191,982	911,996	(374,909)	285,169	471,324
Benefit payments, including refunds of employee contributions	(157,029)	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)	(255,704)	(273,392)	(291,180)
Net plan to plan resource movement	30	216	(141)	268	(754)	(1,037)	(663)	281	150	(1,172)
Administrative expense	(3,252)	(1,758)	(4,282)	(5,014)	(2,558)	(5,383)	(4,090)	(3,084)	(3,362)	(3,994)
Other miscellaneous income/(expense)	—	—	—	(9,522)	8	—	—	—	—	—
Net change in plan fiduciary net position	58,854	15,048	317,350	366,894	234,011	274,691	856,083	(378,007)	335,964	484,507
Plan fiduciary net position – beginning	**2,826,449**	**2,885,303**	**2,900,351**	**3,217,701**	**3,584,595**	**3,818,606**	**4,093,297**	**4,950,153** *	**4,572,146**	**4,908,110**
Plan fiduciary net position – ending (b)	**$ 2,885,303**	**$ 2,900,351**	**$ 3,217,701**	**$ 3,584,595**	**$ 3,818,606**	**$ 4,093,297**	**$ 4,949,380**	**$ 4,572,146**	**$ 4,908,110**	**$ 5,392,617**
State's net pension liability – ending (a) – (b)	**$ 710,084**	**$ 915,862**	**$ 1,102,674**	**$ 892,627**	**$ 1,011,220**	**$ 1,015,631**	**$ 443,360**	**$ 1,173,388**	**$ 1,211,412**	**$ 1,035,113**
Plan fiduciary net position as a percentage of the total pension liability	80.25 %	76.00 %	74.48 %	80.06 %	79.06 %	80.12 %	91.78 %	79.58 %	80.20 %	83.90 %
Covered payroll	$ 577,711	$ 625,220	$ 643,295	$ 695,014	$ 728,609	$ 765,840	$ 706,128	$ 802,709	$ 837,312	$ 896,354
State's net pension liability as a percentage of covered payroll	122.91 %	146.49 %	171.41 %	128.43 %	138.79 %	132.62 %	62.79 %	146.18 %	144.68 %	115.48 %

(continued)

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

For the Past Ten Fiscal Years
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE SAFETY[1]

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
Total pension liability										
Service cost	$ 422,634	$ 438,147	$ 497,129	$ 504,383	$ 536,173	$ 553,316	$ 564,198	$ 574,216	$ 559,582	$ 565,174
Interest on total pension liability	734,333	786,096	827,412	877,944	951,075	1,012,593	1,072,105	1,110,294	1,184,611	1,250,737
Differences between expected and actual experience	(4,150)	(2,235)	(109,901)	(21,592)	227,078	16,473	(33,477)	(238,531)	222,715	98,235
Changes of assumptions	—	—	673,183	(41,225)	—	—	—	455,219	—	—
Benefit payments, including refunds of employee contributions	(469,275)	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)	(788,819)	(856,901)	(916,852)
Net change in total pension liability	683,542	719,581	1,349,088	741,006	1,087,875	905,020	869,129	1,112,379	1,110,007	997,294
Total pension liability – beginning	**9,626,597** *	**10,310,139**	**11,029,720**	**12,378,808**	**13,119,814**	**14,207,689**	**15,112,709**	**15,981,838**	**17,094,217**	**18,204,224**
Total pension liability – ending (a)	**$ 10,310,139**	**$ 11,029,720**	**$ 12,378,808**	**$ 13,119,814**	**$ 14,207,689**	**$ 15,112,709**	**$ 15,981,838**	**$ 17,094,217**	**$ 18,204,224**	**$ 19,201,518**
Plan fiduciary net position										
Contributions – employer	$ 393,925	$ 401,108	$ 433,232	$ 774,759	$ 523,076	$ 747,441	$ 429,347	$ 561,229	$ 771,612	$ 784,227
Contributions – employee	215,482	221,615	231,364	245,021	257,071	267,822	223,408	244,938	279,174	321,424
Net investment income	175,677	42,258	926,106	797,214	691,911	575,732	2,758,504	(1,131,785)	866,433	1,445,883
Benefit payments, including refunds of employee contributions	(469,275)	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)	(788,819)	(856,901)	(916,852)
Net plan to plan resource movement	499	548	295	532	1,482	3,907	1,513	950	586	1,761
Administrative expense	(9,200)	(4,966)	(12,264)	(14,565)	(7,524)	(16,047)	(12,272)	(9,314)	(10,169)	(12,107)
Other miscellaneous income/(expense)	—	—	—	(27,658)	24	—	—	—	—	—
Net change in plan fiduciary net position	307,108	158,136	1,039,998	1,196,799	839,589	901,493	2,666,803	(1,122,801)	1,050,735	1,624,336
Plan fiduciary net position – beginning	**7,841,392**	**8,148,500**	**8,306,636**	**9,346,634**	**10,543,433**	**11,383,022**	**12,284,515**	**14,951,366** *	**13,828,565**	**14,879,300**
Plan fiduciary net position – ending (b)	**$ 8,148,500**	**$ 8,306,636**	**$ 9,346,634**	**$ 10,543,433**	**$ 11,383,022**	**$ 12,284,515**	**$ 14,951,318**	**$ 13,828,565**	**$ 14,879,300**	**$ 16,503,636**
State's net pension liability – ending (a) – (b)	**$ 2,161,639**	**$ 2,723,084**	**$ 3,032,174**	**$ 2,576,381**	**$ 2,824,667**	**$ 2,828,194**	**$ 1,030,520**	**$ 3,265,652**	**$ 3,324,924**	**$ 2,697,882**
Plan fiduciary net position as a percentage of the total pension liability	79.03 %	75.31 %	75.51 %	80.36 %	80.12 %	81.29 %	93.55 %	80.90 %	81.74 %	85.95 %
Covered payroll	$ 2,003,777	$ 2,100,295	$ 2,167,429	$ 2,339,642	$ 2,468,018	$ 2,566,403	$ 2,367,960	$ 2,633,568	$ 2,637,846	$ 2,773,873
State's net pension liability as a percentage of covered payroll	107.88 %	129.65 %	139.90 %	110.12 %	114.45 %	110.20 %	43.52 %	124.00 %	126.05 %	97.26 %

(continued)

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

For the Past Ten Fiscal Years
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE PEACE OFFICERS AND FIREFIGHTERS[1]

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
Total pension liability										
Service cost	$ 838,628	$ 861,694	$ 980,897	$ 1,011,482	$ 1,044,955	$ 1,062,486	$ 1,111,888	$ 1,167,715	$ 1,242,191	$ 1,249,852
Interest on total pension liability	2,759,982	2,902,900	3,018,186	3,185,628	3,381,608	3,547,687	3,745,062	3,864,043	4,112,779	4,289,911
Differences between expected and actual experience	288,526	18,316	(286,527)	354,089	664,430	172,204	585,665	(805,030)	1,381,891	261,062
Changes of assumptions	—	—	2,608,752	(25,104)	—	—	—	2,190,080	—	—
Benefit payments, including refunds of employee contributions	(1,697,676)	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,940)	(2,560,165)	(2,735,400)	(2,956,624)	(3,148,857)
Net change in total pension liability	2,189,460	1,960,069	4,383,281	2,461,088	2,881,436	2,422,437	2,882,450	3,681,408	3,780,237	2,651,968
Total pension liability – beginning	**36,219,196** *	**38,408,656**	**40,368,725**	**44,752,006**	**47,213,094**	**50,094,530**	**52,516,967**	**55,399,417**	**59,080,825**	**62,861,062**
Total pension liability – ending (a)	**$ 38,408,656**	**$ 40,368,725**	**$ 44,752,006**	**$ 47,213,094**	**$ 50,094,530**	**$ 52,516,967**	**$ 55,399,417**	**$ 59,080,825**	**$ 62,861,062**	**$ 65,513,030**
Plan fiduciary net position										
Contributions – employer	$ 1,146,192	$ 1,265,145	$ 1,427,240	$ 3,068,270	$ 1,665,872	$ 3,220,740	$ 1,310,946	$ 2,171,675	$ 3,371,914	$ 2,877,620
Contributions – employee	366,419	381,185	399,946	421,662	437,937	462,370	423,995	477,347	490,773	517,361
Net investment income	584,142	137,927	2,954,170	2,522,044	2,175,528	1,812,785	8,602,827	(3,524,276)	2,690,552	4,466,739
Benefit payments, including refunds of employee contributions	(1,697,676)	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,941)	(2,560,165)	(2,735,400)	(2,956,624)	(3,148,857)
Net plan to plan resource movement	194	114	1,628	(104)	350	735	(66)	1,076	931	(285)
Administrative expense	(30,069)	(16,295)	(39,395)	(45,950)	(23,765)	(49,832)	(38,396)	(28,764)	(31,280)	(37,514)
Other miscellaneous income/(expense)	—	—	—	(87,261)	77	—	—	—	—	—
Net change in plan fiduciary net position	369,202	(54,765)	2,805,562	3,813,654	2,046,442	3,086,857	7,739,141	(3,638,342)	3,566,266	4,675,064
Plan fiduciary net position – beginning	**26,367,989**	**26,737,191**	**26,682,426**	**29,487,988**	**33,301,642**	**35,348,084**	**38,434,941**	**46,175,076** *	**42,536,734**	**46,103,000**
Plan fiduciary net position – ending (b)	**$ 26,737,191**	**$ 26,682,426**	**$ 29,487,988**	**$ 33,301,642**	**$ 35,348,084**	**$ 38,434,941**	**$ 46,174,082**	**$ 42,536,734**	**$ 46,103,000**	**$ 50,778,064**
State's net pension liability – ending (a) – (b)	**$ 11,671,465**	**$ 13,686,299**	**$ 15,264,018**	**$ 13,911,452**	**$ 14,746,446**	**$ 14,082,026**	**$ 9,225,335**	**$ 16,544,091**	**$ 16,758,062**	**$ 14,734,966**
Plan fiduciary net position as a percentage of the total pension liability	69.61 %	66.10 %	65.89 %	70.53 %	70.56 %	73.19 %	83.35 %	72.00 %	73.34 %	77.51 %
Covered payroll	$ 3,115,287	$ 3,241,895	$ 3,416,627	$ 3,557,011	$ 3,676,854	$ 3,904,615	$ 3,629,097	$ 4,035,339	$ 4,148,789	$ 4,347,064
State's net pension liability as a percentage of covered payroll	374.65 %	422.17 %	446.76 %	391.10 %	401.06 %	360.65 %	254.20 %	409.98 %	403.93 %	338.96 %

(continued)

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

For the Past Ten Fiscal Years
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

CALIFORNIA HIGHWAY PATROL

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
Total pension liability										
Service cost	$ 198,665	$ 210,619	$ 237,064	$ 248,531	$ 257,384	$ 266,192	$ 268,009	$ 292,213	$ 298,022	$ 299,152
Interest on total pension liability	764,348	809,691	833,062	878,113	926,056	974,410	1,022,074	1,062,411	1,116,842	1,170,324
Differences between expected and actual experience	75,593	125,614	(158,392)	103,283	135,148	120,496	98,575	(178,097)	198,448	182,745
Changes of assumptions	—	—	721,972	12,213	—	—	—	695,673	—	—
Benefit payments, including refunds of employee contributions	(487,061)	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)	(695,055)	(739,443)	(794,793)	(851,349)
Net change in total pension liability	551,545	629,201	1,090,250	663,060	706,290	709,266	693,603	1,132,757	818,519	800,872
Total pension liability – beginning	**10,060,085**	**10,611,630**	**11,240,831**	**12,331,081**	**12,994,141**	**13,700,431**	**14,409,697**	**15,103,300**	**16,236,057**	**17,054,576**
Total pension liability – ending (a)	**$ 10,611,630**	**$ 11,240,831**	**$ 12,331,081**	**$ 12,994,141**	**$ 13,700,431**	**$ 14,409,697**	**$ 15,103,300**	**$ 16,236,057**	**$ 17,054,576**	**$ 17,855,448**
Plan fiduciary net position										
Contributions – employer	$ 351,197	$ 375,928	$ 426,603	$ 978,060	$ 507,055	$ 559,585	$ 802,064	$ 628,308	$ 674,104	$ 755,384
Contributions – employee	85,791	86,111	91,116	95,482	100,080	103,159	95,784	109,080	123,075	134,856
Net investment income	146,782	33,918	747,272	639,591	556,379	450,669	2,200,671	(901,987)	678,131	1,113,204
Benefit payments, including refunds of employee contributions	(487,061)	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)	(695,055)	(739,443)	(794,793)	(851,349)
Net plan to plan resource movement	(214)	292	1,050	330	265	638	1,773	252	183	176
Administrative expense	(7,600)	(4,111)	(9,923)	(11,583)	(6,090)	(12,800)	(9,519)	(7,428)	(8,099)	(9,509)
Other miscellaneous income/(expense)	—	—	—	(21,997)	20	—	—	—	—	—
Net change in plan fiduciary net position	88,895	(24,585)	712,662	1,100,803	545,411	449,419	2,395,718	(911,218)	672,601	1,142,762
Plan fiduciary net position – beginning	**6,656,447**	**6,745,342**	**6,720,757**	**7,433,419**	**8,534,222**	**9,079,633**	**9,529,052**	**11,924,803** *	**11,013,585**	**11,686,186**
Plan fiduciary net position – ending (b)	**$ 6,745,342**	**$ 6,720,757**	**$ 7,433,419**	**$ 8,534,222**	**$ 9,079,633**	**$ 9,529,052**	**$ 11,924,770**	**$ 11,013,585**	**$ 11,686,186**	**$ 12,828,948**
State's net pension liability – ending (a) – (b)	**$ 3,866,288**	**$ 4,520,074**	**$ 4,897,662**	**$ 4,459,919**	**$ 4,620,798**	**$ 4,880,645**	**$ 3,178,530**	**$ 5,222,472**	**$ 5,368,390**	**$ 5,026,500**
Plan fiduciary net position as a percentage of the total pension liability	63.57 %	59.79 %	60.28 %	65.68 %	66.27 %	66.13 %	78.95 %	67.83 %	68.52 %	71.85 %
Covered payroll	$ 809,610	$ 808,032	$ 851,427	$ 884,197	$ 933,689	$ 948,000	$ 882,119	$ 936,496	$ 977,794	$ 1,048,891
State's net pension liability as a percentage of covered payroll	477.55 %	559.39 %	575.23 %	504.40 %	494.90 %	514.84 %	360.33 %	557.66 %	549.03 %	479.22 %

(continued)

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

For the Past Ten Fiscal Years
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
JUDGES'										
Total pension liability										
Service cost	$ 27,841	$ 29,314	$ 22,733	$ 19,131	$ 20,073	$ 17,026	$ 17,861	$ 10,345	$ 9,541	$ 7,660
Interest on total pension liability	133,181	107,514	115,067	109,395	99,427	79,720	64,481	93,559	96,524	93,495
Differences between expected and actual experience	57,568	(59,421)	(366,200)	(121,259)	86,873	(41,794)	40,006	(92,633)	111,908	(14,317)
Changes of assumptions	158,646	384,306	(107,670)	(20,879)	153,651	218,684	179,421	(598,096)	(36,907)	(21,972)
Benefit payments, including refunds of employee contributions	(201,868)	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)	(210,491)	(216,271)	(212,542)
Net change in total pension liability	175,368	262,364	(536,510)	(221,435)	138,070	60,402	90,818	(797,316)	(35,205)	(147,676)
Total pension liability – beginning	**3,357,212**	**3,532,580**	**3,794,944**	**3,258,434**	**3,036,999**	**3,175,069**	**3,235,471**	**3,326,289**	**2,528,973**	**2,493,768**
Total pension liability – ending (a)	**$ 3,532,580**	**$ 3,794,944**	**$ 3,258,434**	**$ 3,036,999**	**$ 3,175,069**	**$ 3,235,471**	**$ 3,326,289**	**$ 2,528,973**	**$ 2,493,768**	**$ 2,346,092**
Plan fiduciary net position										
Contributions – employer	$ 180,910	$ 192,287	$ 204,475	$ 199,241	$ 195,903	$ 243,132	$ 225,824	$ 194,960	$ 208,785	$ 212,532
Contributions – employee	3,877	3,559	3,398	3,061	2,679	2,843	2,146	1,956	1,697	1,481
Net investment income	88	193	424	846	1,166	885	163	194	2,233	3,416
Benefit payments, including refunds of employee contributions	(201,867)	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)	(210,491)	(216,271)	(212,542)
Administrative expense	(1,227)	(642)	(1,771)	(2,106)	(10,032)	(2,270)	(1,731)	(1,677)	(2,032)	(2,411)
Other miscellaneous income/(expense)	2,198	2,568	2,395	(1,863)	2,776	2,202	2,462	2,305	3,028	2,831
Net change in plan fiduciary net position	(16,021)	(1,384)	8,481	(8,644)	(29,462)	33,558	17,913	(12,753)	(2,560)	5,307
Plan fiduciary net position – beginning	**57,199**	**41,178**	**39,794**	**48,275**	**39,631**	**10,169**	**43,727**	**61,640**	**48,887**	**46,327**
Plan fiduciary net position – ending (b)	**$ 41,178**	**$ 39,794**	**$ 48,275**	**$ 39,631**	**$ 10,169**	**$ 43,727**	**$ 61,640**	**$ 48,887**	**$ 46,327**	**$ 51,634**
State's net pension liability – ending (a) – (b)	**$ 3,491,402**	**$ 3,755,150**	**$ 3,210,159**	**$ 2,997,368**	**$ 3,164,900**	**$ 3,191,744**	**$ 3,264,649**	**$ 2,480,086**	**$ 2,447,441**	**$ 2,294,458**
Plan fiduciary net position as a percentage of the total pension liability	1.17 %	1.05 %	1.48 %	1.30 %	0.32 %	1.35 %	1.85 %	1.93 %	1.86 %	2.20 %
Covered payroll	$ 28,770	$ 23,537	$ 26,102	$ 24,007	$ 22,117	$ 16,017	$ 13,444	$ 14,061	$ 13,235	$ 11,023
State's net pension liability as a percentage of covered payroll	12,135.56 %	15,954.24 %	12,298.52 %	12,485.39 %	14,309.81 %	19,927.23 %	24,283.32 %	17,638.05 %	18,492.19 %	20,815.19 %

(continued)

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

For the Past Ten Fiscal Years
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
JUDGES' II										
Total pension liability										
Service cost	$ 79,641	$ 86,635	$ 97,679	$ 95,843	$ 103,791	$ 114,486	$ 116,782	$ 115,808	$ 121,141	$ 128,635
Interest on total pension liability	69,128	78,412	85,654	91,418	103,889	115,517	126,949	120,585	131,805	143,959
Differences between expected and actual experience	(17,319)	(4,546)	(26,382)	(26,875)	30,292	(2,797)	(10,976)	(67,751)	18,683	32,448
Changes of assumptions	(16,619)	—	69,233	(41,763)	—	—	—	(59,394)	—	—
Benefit payments, including refunds of employee contributions	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)	(66,739)	(83,868)	(99,168)
Net change in total pension liability	100,790	138,797	203,778	86,828	201,768	192,659	170,761	42,509	187,761	205,874
Total pension liability – beginning	**967,962**	**1,068,752**	**1,207,549**	**1,411,327**	**1,498,154**	**1,699,922**	**1,892,581**	**2,063,342**	**2,105,851**	**2,293,612**
Total pension liability – ending (a)	**$ 1,068,752**	**$ 1,207,549**	**$ 1,411,327**	**$ 1,498,155**	**$ 1,699,922**	**$ 1,892,581**	**$ 2,063,342**	**$ 2,105,851**	**$ 2,293,612**	**$ 2,499,486**
Plan fiduciary net position										
Contributions – employer	$ 65,629	$ 65,839	$ 67,102	$ 79,699	$ 84,099	$ 91,147	$ 84,147	$ 92,773	$ 89,970	$ 96,316
Contributions – employee	22,242	24,598	25,076	27,514	31,375	35,796	34,094	36,529	38,669	42,936
Net investment income	(2,402)	20,810	115,057	101,820	106,781	80,074	463,478	(324,365)	151,744	267,417
Benefit payments, including refunds of employee contributions	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)	(66,739)	(83,868)	(99,168)
Administrative expense	(1,127)	(732)	(1,682)	(2,370)	(1,477)	(2,552)	(1,703)	(1,842)	(2,126)	(2,638)
Other miscellaneous income/(expense)	—	—	—	(5,451)	—	—	—	4	4	5
Net change in plan fiduciary net position	70,301	88,811	183,147	169,417	184,574	169,918	518,022	(263,640)	194,393	304,868
Plan fiduciary net position – beginning	**1,013,840**	**1,084,141**	**1,172,952**	**1,356,099**	**1,525,515**	**1,710,089**	**1,880,007**	**2,398,029**	**2,134,389**	**2,328,782**
Plan fiduciary net position – ending (b)	**$ 1,084,141**	**$ 1,172,952**	**$ 1,356,099**	**$ 1,525,516**	**$ 1,710,089**	**$ 1,880,007**	**$ 2,398,029**	**$ 2,134,389**	**$ 2,328,782**	**$ 2,633,650**
State's net pension liability/(asset) – ending (a) – (b)	**$ (15,389)**	**$ 34,597**	**$ 55,228**	**$ (27,361)**	**$ (10,167)**	**$ 12,574**	**$ (334,687)**	**$ (28,538)**	**$ (35,170)**	**$ (134,164)**
Plan fiduciary net position as a percentage of the total pension liability	101.44 %	97.13 %	96.09 %	101.83 %	100.60 %	99.34 %	116.22 %	101.36 %	101.53 %	105.37 %
Covered payroll	$ 180,230	$ 192,739	$ 192,786	$ 202,433	$ 220,742	$ 246,968	$ 233,316	$ 242,525	$ 249,328	$ 267,330
State's net pension liability as a percentage of covered payroll	-8.54 %	17.95 %	28.65 %	-13.52 %	-4.61 %	5.09 %	-143.45 %	-11.77 %	-14.11 %	-50.19 %

(continued)

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

For the Past Ten Fiscal Years
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
LEGISLATORS'[1]										
Total pension liability										
Service cost	$ 769	$ 608	$ 639	$ 542	$ 268	$ 100	$ 101	$ 108	$ 52	$ —
Interest on total pension liability	6,268	5,978	5,291	4,987	4,873	4,885	4,749	4,299	4,248	4,351
Differences between expected and actual experience	(4,246)	(3,530)	(5,998)	(2,061)	(427)	2,320	(732)	(992)	1,444	5,119
Changes of assumptions	(2,654)	—	7,857	(2,529)	—	—	—	1,024	—	—
Benefit payments, including refunds of employee contributions	(9,087)	(7,407)	(7,249)	(6,918)	(7,350)	(6,939)	(6,761)	(6,647)	(7,088)	(7,436)
Net change in total pension liability	(8,950)	(4,351)	540	(5,979)	(2,636)	366	(2,643)	(2,208)	(1,344)	2,034
Total pension liability – beginning	**115,521**	**106,571**	**102,220**	**102,760**	**96,780**	**94,144**	**94,510**	**91,867**	**89,659**	**88,315**
Total pension liability – ending (a)	**$ 106,571**	**$ 102,220**	**$ 102,760**	**$ 96,781**	**$ 94,144**	**$ 94,510**	**$ 91,867**	**$ 89,659**	**$ 88,315**	**$ 90,349**
Plan fiduciary net position										
Contributions – employer	$ 590	$ 549	$ 517	$ 467	$ 250	$ 98	$ 78	$ 85	$ 44	$ —
Contributions – employee	105	96	94	82	92	22	21	23	11	—
Net investment income	(94)	4,545	5,047	5,486	7,860	7,011	15,099	(12,450)	601	4,905
Benefit payments, including refunds of employee contributions	(9,087)	(7,407)	(7,249)	(6,918)	(7,350)	(6,939)	(6,761)	(6,647)	(7,088)	(7,436)
Administrative expense	(399)	(202)	(575)	(670)	(324)	(550)	(450)	(436)	(525)	(663)
Other miscellaneous income/(expense)	—	—	—	(1,454)	—	2	13	1	2	1
Net change in plan fiduciary net position	(8,885)	(2,419)	(2,166)	(3,007)	528	(356)	8,000	(19,424)	(6,955)	(3,193)
Plan fiduciary net position – beginning	**130,354**	**121,469**	**119,050**	**116,884**	**113,876**	**114,404**	**114,048**	**122,048**	**102,624**	**95,669**
Plan fiduciary net position – ending (b)	**$ 121,469**	**$ 119,050**	**$ 116,884**	**$ 113,877**	**$ 114,404**	**$ 114,048**	**$ 122,048**	**$ 102,624**	**$ 95,669**	**$ 92,476**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,898)**	**$ (16,830)**	**$ (14,124)**	**$ (17,096)**	**$ (20,260)**	**$ (19,538)**	**$ (30,181)**	**$ (12,965)**	**$ (7,354)**	**$ (2,127)**
Plan fiduciary net position as a percentage of the total pension liability	113.98 %	116.46 %	113.74 %	117.66 %	121.52 %	120.67 %	132.85 %	114.46 %	108.33 %	102.35 %
Covered payroll	$ 1,397	$ 1,298	$ 1,270	$ 1,121	$ 684	$ 284	$ 267	$ 290	$ 138	$ —
State's net pension liability as a percentage of covered payroll	-1,066.43 %	-1,296.61 %	-1,112.13 %	-1,525.07 %	-2,961.99 %	-6,879.58 %	-11,303.75 %	-4,470.69 %	-5,328.99 %	— %

(concluded)

Schedule of State Pension Contributions

For the Past Ten Fiscal Years
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
STATE MISCELLANEOUS[1]										
Actuarially determined contribution	$ 2,718,895	$ 3,078,232	$ 3,397,736	$ 3,631,721	$ 4,006,672	$ 4,324,789	$ 4,160,143	$ 4,452,668	$ 4,749,786	$ 5,122,934
Contributions in relation to the actuarially determined contribution	(2,814,126)	(3,098,305)	(3,482,291)	(3,794,379)	(5,032,209)	(3,791,620)	(4,281,402)	(4,918,505)	(5,305,363)	(4,651,700)
Contribution deficiency (excess)	**$ (95,231)**	**$ (20,073)**	**$ (84,555)**	**$ (162,658)**	**$ (1,025,537)**	**$ 533,169**	**$ (121,259)**	**$ (465,837)**	**$ (555,577)**	**$ 471,234**
Covered payroll	$ 11,197,607	$ 11,591,576	$ 12,254,527	$ 12,913,195	$ 13,579,610	$ 12,909,399	$ 14,727,596	$ 15,486,977	$ 16,690,904	$ 17,812,079
Contributions as a percentage of covered payroll	25.13 %	26.73 %	28.42 %	29.38 %	37.06 %	29.37 %	29.07 %	31.76 %	31.79 %	26.12 %
STATE INDUSTRIAL[1]										
Actuarially determined contribution	$ 103,293	$ 116,880	$ 131,131	$ 134,969	$ 153,724	$ 166,535	$ 132,980	$ 157,441	$ 164,652	$ 178,276
Contributions in relation to the actuarially determined contribution	(116,594)	(123,789)	(141,832)	(148,790)	(245,757)	(128,407)	(138,688)	(174,595)	(186,979)	(144,027)
Contribution deficiency (excess)	**$ (13,301)**	**$ (6,909)**	**$ (10,701)**	**$ (13,821)**	**$ (92,033)**	**$ 38,128**	**$ (5,708)**	**$ (17,154)**	**$ (22,327)**	**$ 34,249**
Covered payroll	$ 625,220	$ 643,295	$ 695,014	$ 728,609	$ 765,840	$ 706,128	$ 802,709	$ 837,312	$ 896,354	$ 935,015
Contributions as a percentage of covered payroll	18.65 %	19.24 %	20.41 %	20.42 %	32.09 %	18.18 %	17.28 %	20.85 %	20.86 %	15.40 %
STATE SAFETY[1]										
Actuarially determined contribution	$ 368,444	$ 400,379	$ 435,662	$ 466,765	$ 526,375	$ 553,298	$ 476,457	$ 537,135	$ 537,239	$ 564,510
Contributions in relation to the actuarially determined contribution	(404,595)	(431,991)	(481,479)	(531,360)	(759,505)	(473,147)	(499,621)	(579,316)	(609,278)	(538,560)
Contribution deficiency (excess)	**$ (36,151)**	**$ (31,612)**	**$ (45,817)**	**$ (64,595)**	**$ (233,130)**	**$ 80,151**	**$ (23,164)**	**$ (42,181)**	**$ (72,039)**	**$ 25,950**
Covered payroll	$ 2,100,289	$ 2,167,429	$ 2,339,642	$ 2,468,018	$ 2,566,403	$ 2,367,960	$ 2,633,568	$ 2,637,846	$ 2,773,873	$ 2,945,213
Contributions as a percentage of covered payroll	19.26 %	19.93 %	20.58 %	21.53 %	29.59 %	19.98 %	18.97 %	21.96 %	21.96 %	18.29 %
STATE PEACE OFFICERS AND FIREFIGHTERS[1]										
Actuarially determined contribution	$ 1,197,160	$ 1,343,177	$ 1,462,630	$ 1,581,049	$ 1,755,306	$ 1,871,841	$ 1,262,871	$ 1,850,940	$ 1,952,094	$ 2,063,719
Contributions in relation to the actuarially determined contribution	(1,263,436)	(1,431,851)	(1,573,299)	(1,667,839)	(3,234,348)	(1,312,046)	(1,325,451)	(2,071,961)	(2,172,989)	(1,393,592)
Contribution deficiency (excess)	**$ (66,276)**	**$ (88,674)**	**$ (110,669)**	**$ (86,790)**	**$ (1,479,042)**	**$ 559,795**	**$ (62,580)**	**$ (221,021)**	**$ (220,895)**	**$ 670,127**
Covered payroll	$ 3,241,763	$ 3,416,627	$ 3,557,011	$ 3,676,854	$ 3,904,615	$ 3,629,097	$ 4,035,339	$ 4,148,789	$ 4,347,064	$ 4,526,704
Contributions as a percentage of covered payroll	38.97 %	41.91 %	44.23 %	45.36 %	82.83 %	36.15 %	32.85 %	49.94 %	49.99 %	30.79 %

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

(continued)

Schedule of State Pension Contributions (continued)

For the Past Ten Fiscal Years
(amounts in thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS										
CALIFORNIA HIGHWAY PATROL										
Actuarially determined contribution	$ 363,634	$ 414,975	$ 447,376	$ 484,056	$ 532,159	$ 574,509	$ 600,841	$ 599,039	$ 653,801	$ 686,478
Contributions in relation to the actuarially determined contribution	(377,534)	(426,014)	(478,354)	(514,683)	(560,538)	(530,587)	(590,087)	(660,340)	(752,825)	(792,884)
Contribution deficiency (excess)	**$ (13,900)**	**$ (11,039)**	**$ (30,978)**	**$ (30,627)**	**$ (28,379)**	**$ 43,922**	**$ 10,754**	**$ (61,301)**	**$ (99,024)**	**$ (106,406)**
Covered payroll	$ 808,032	$ 851,427	$ 884,197	$ 933,689	$ 948,000	$ 882,119	$ 936,496	$ 977,794	$ 1,048,891	$ 1,113,549
Contributions as a percentage of covered payroll	46.72 %	50.04 %	54.10 %	55.12 %	59.13 %	60.15 %	63.01 %	67.53 %	71.77 %	71.20 %
SINGLE-EMPLOYER PLANS										
JUDGES'										
Actuarially determined contribution	$ 463,073	$ 448,636	$ 438,156	$ 415,110	$ 414,849	$ 366,446	$ 352,881	$ 313,118	$ 315,809	$ 297,054
Contributions in relation to the actuarially determined contribution	(3,252)	(202,368)	(197,017)	(194,189)	(241,993)	(224,928)	(193,763)	(207,835)	(211,503)	(217,738)
Contribution deficiency (excess)	**$ 459,821**	**$ 246,268**	**$ 241,139**	**$ 220,921**	**$ 172,856**	**$ 141,518**	**$ 159,118**	**$ 105,283**	**$ 104,306**	**$ 79,316**
Covered payroll	$ 29,771	$ 23,822	$ 27,003	$ 25,748	$ 16,017	$ 13,444	$ 14,061	$ 13,227	$ 14,031	$ 11,458
Contributions as a percentage of covered payroll	10.92 %	849.50 %	729.61 %	754.19 %	1,510.85 %	1,673.07 %	1,378.02 %	1,571.29 %	1,507.40 %	1,900.31 %
JUDGES' II										
Actuarially determined contribution	$ 58,362	$ 66,951	$ 79,181	$ 75,862	$ 81,782	$ 88,439	$ 89,938	$ 86,154	$ 91,696	$ 97,620
Contributions in relation to the actuarially determined contribution	(60,476)	(55,965)	(73,916)	(76,155)	(83,872)	(78,784)	(81,960)	(73,614)	(87,640)	(91,286)
Contribution deficiency (excess)	**$ (2,114)**	**$ 10,986**	**$ 5,265**	**$ (293)**	**$ (2,090)**	**$ 9,655**	**$ 7,978**	**$ 12,540**	**$ 4,056**	**$ 6,334**
Covered payroll	$ 186,505	$ 195,066	$ 199,438	$ 217,112	$ 246,968	$ 233,316	$ 242,525	$ 249,170	$ 264,322	$ 277,887
Contributions as a percentage of covered payroll	32.43 %	28.69 %	37.06 %	35.08 %	33.96 %	33.77 %	33.79 %	29.54 %	33.16 %	32.85 %
LEGISLATORS'										
Actuarially determined contribution	$ 141	$ —	$ 20	$ —	$ 101	$ 84	$ 88	$ 48	$ —	$ 75
Contributions in relation to the actuarially determined contribution	(549)	(516)	(467)	(261)	(100)	(79)	(85)	(44)	—	—
Contribution deficiency (excess)	**$ (408)**	**$ (516)**	**$ (447)**	**$ (261)**	**$ 1**	**$ 5**	**$ 3**	**$ 4**	**$ —**	**$ 75**
Covered payroll	$ 1,298	$ 1,270	$ 1,121	$ 684	$ 284	$ 267	$ 290	$ 138	$ —	$ —
Contributions as a percentage of covered payroll	42.30 %	40.63 %	41.66 %	38.16 %	35.21 %	29.59 %	29.31 %	31.88 %	— %	— %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Ten Fiscal Years
(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, 2023.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2022, Funding Valuation Report.
Asset valuation method	PERF – Fair Value of assets; for details see plan's June 30, 2022, Funding Valuation Report.
	Judges' – Fair Value of Assets
	Judges' II – Fair Value of Assets
	Legislators' – Fair Value of Assets
Inflation	PERF – 2.30%
	Judges' – 2.30%
	Judges' II – 2.30%
	Legislators' – 2.30%
Salary increases	PERF – varies by entry age and service
	Judges' – 2.80%
	Judges' II – 2.80%
	Legislators' – 2.80%
Payroll growth	PERF – 2.80%
	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 – 6.80%, which is used for contribution purposes
	Judges' – 3.00%
	Judges' II – 6.00%
	Legislators' – 4.50%
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 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 Ten Fiscal Years
(amounts in thousands)

	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]	2021[1]	2022[1]	2023[1]	2024[1]
State's proportion of CalSTRS' net pension liability	34.59 %	36.28 %	37.17 %	36.41 %	35.30 %	34.02 %	33.47 %	33.37 %	32.39 %	31.45 %
State's proportionate share of CalSTRS' net pension liability	$ 23,289,391	$ 29,343,626	$ 34,374,816	$ 33,462,419	$ 31,880,645	$ 32,963,596	$ 15,233,348	$ 23,186,783	$ 24,670,833	$ 21,123,435
Plan fiduciary net position as a percentage of the total pension liability	74.02 %	70.04 %	69.46 %	70.99 %	72.56 %	71.82 %	87.21 %	81.25 %	80.62 %	83.55 %

[1]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 Ten Fiscal Years
(amounts in thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Statutorily required contribution	$ 1,935,288	$ 2,472,993	$ 2,790,444	$ 3,082,316	$ 4,446,836	$ 3,730,902	$ 4,279,964	$ 3,719,874	$ 3,945,974	$ 4,263,762
Contributions in relation to the statutorily required contribution	1,935,288	2,472,993	2,790,444	3,082,316	4,446,836	3,730,902	4,279,964	3,719,874	3,945,974	4,263,762
Annual contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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, 2023.
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	3.25%
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

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2019[2, 6]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)[3]						
Total OPEB liability						
Service cost	$ 1,078,364	$ 1,116,519	$ 1,190,049	$ 1,297,725	$ 951,313	$ 972,829
Interest on total OPEB liability	1,201,673	1,162,741	1,028,924	908,980	1,193,663	1,300,226
Differences between expected and actual experiences[5]	(525,007)	(720,036)	(2,498,623)	831,414	248,422	1,587,749
Changes in assumptions	1,213,332	480,992	1,275,481	(6,216,338)	263,281	217,938
Benefit payments	(856,494)	(910,765)	(962,640)	(1,038,983)	(1,068,245)	(1,162,440)
Net change in total OPEB liability	2,111,868	1,129,451	33,191	(4,217,202)	1,588,434	2,916,302
Total OPEB liability – beginning	**29,485,488**	**31,597,356**	**32,726,807**	**32,759,998**	**28,542,796**	**30,131,230**
Total OPEB liability – ending (a)	**$ 31,597,356**	**$ 32,726,807**	**$ 32,759,998**	**$ 28,542,796**	**$ 30,131,230**	**$ 33,047,532**
Plan fiduciary net position						
Contributions – employer	$ 856,494	$ 910,765	$ 962,640	$ 1,038,983	$ 1,068,245	$ 1,162,440
Contributions – prefunding	71,712	174,235	241,973	537,987	301,445	289,428
Contributions – employee	71,712	174,235	—	286,986	301,445	289,428
Net investment income	8,202	9,788	162,795	(228,601)	122,484	285,389
Benefit payments	(856,494)	(910,765)	(962,640)	(1,038,983)	(1,068,245)	(1,162,440)
Administrative expense	(14)	(148)	(229)	(333)	(516)	(815)
Other expenses	—	—	—	—	—	—
Net change in plan fiduciary net position	151,612	358,110	404,539	596,039	724,858	863,430
Plan fiduciary net position – beginning	**—**	**151,612**	**509,722**	**914,261**	**1,510,300**	**2,235,158**
Plan fiduciary net position – ending (b)	**$ 151,612**	**$ 509,722**	**$ 914,261**	**$ 1,510,300**	**$ 2,235,158**	**$ 3,098,588**
State's net OPEB liability – ending (a) – (b)	**$ 31,445,744**	**$ 32,217,085**	**$ 31,845,737**	**$ 27,032,496**	**$ 27,896,072**	**$ 29,948,944**
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %	1.56 %	2.79 %	5.29 %	7.42 %	9.38 %
Covered payroll	$ 7,317,203	$ 7,701,525	$ 7,477,126	$ 8,705,771	$ 8,705,889	$ 9,364,496
State's net OPEB liability as a percentage of covered payroll	429.75 %	418.32 %	425.91 %	310.51 %	320.43 %	319.81 %

(continued)

[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, 2023, 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.

* Beginning balance of OPEB assets was restated from the prior period.

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

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
BARGAINING UNIT 5 PLAN								
Total OPEB liability								
Service cost	$ 168,057	$ 146,042	$ 140,545	$ 159,410	$ 183,703	$ 209,691	$ 136,920	$ 133,754
Interest on total OPEB liability	179,397	195,713	199,637	204,078	202,901	181,784	207,924	225,844
Differences between expected and actual experiences[5]	—	(108,271)	41,288	(64,174)	(699,133)	(92,802)	(15,291)	202,634
Changes in assumptions	(474,646)	(137,150)	318,292	466,272	531,615	(1,359,809)	7,641	58,235
Benefit payments	(95,517)	(77,897)	(78,501)	(84,544)	(87,872)	(92,183)	(92,714)	(98,136)
Net change in total OPEB liability	(222,709)	18,437	621,261	681,042	131,214	(1,153,319)	244,480	522,331
Total OPEB liability – beginning	**4,764,812**	**4,542,103**	**4,560,540**	**5,181,801**	**5,862,843**	**5,994,057**	**4,840,738**	**5,085,218**
Total OPEB liability – ending (a)	**$ 4,542,103**	**$ 4,560,540**	**$ 5,181,801**	**$ 5,862,843**	**$ 5,994,057**	**$ 4,840,738**	**$ 5,085,218**	**$ 5,607,549**
Plan fiduciary net position								
Contributions – employer	$ 95,517	$ 77,897	$ 78,501	$ 84,544	$ 87,872	$ 92,183	$ 92,714	$ 98,136
Contributions – prefunding	77,454	59,697	57,567	59,296	1	120,580	50,716	45,162
Contributions – employee	12,783	4,089	3,943	4,061	—	8,452	16,905	27,957
Net investment income	21,109	20,988	23,834	16,069	136,197	(102,287)	45,222	89,804
Benefit payments	(95,517)	(77,897)	(78,501)	(84,544)	(87,872)	(92,183)	(92,714)	(98,136)
Administrative expense	(95)	(144)	(77)	(217)	(188)	(177)	(200)	(262)
Other expenses	(290)	—	—	—	—	—	—	—
Net change in plan fiduciary net position	110,961	84,630	85,267	79,209	136,010	26,568	112,643	162,661
Plan fiduciary net position – beginning	**135,701**	**246,662**	**331,052** *	**416,319**	**495,528**	**631,538**	**658,106**	**770,749**
Plan fiduciary net position – ending (b)	**$ 246,662**	**$ 331,292**	**$ 416,319**	**$ 495,528**	**$ 631,538**	**$ 658,106**	**$ 770,749**	**$ 933,410**
State's net OPEB liability – ending (a) – (b)	**$ 4,295,441**	**$ 4,229,248**	**$ 4,765,482**	**$ 5,367,315**	**$ 5,362,519**	**$ 4,182,632**	**$ 4,314,469**	**$ 4,674,139**
Plan fiduciary net position as a percentage of the total OPEB liability	5.43 %	7.26 %	8.03 %	8.45 %	10.54 %	13.60 %	15.16 %	16.65 %
Covered payroll	$ 866,040	$ 895,430	$ 942,765	$ 958,694	$ 890,777	$ 950,596	$ 993,733	$ 1,074,372
State's net OPEB liability as a percentage of covered payroll	495.99 %	472.31 %	505.48 %	559.86 %	602.00 %	440.00 %	434.17 %	435.06 %

(continued)

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

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
BARGAINING UNIT 6 PLAN								
Total OPEB liability								
Service cost	$ 609,551	$ 531,916	$ 503,829	$ 535,696	$ 578,629	$ 655,259	$ 485,501	$ 481,770
Interest on total OPEB liability	574,853	634,360	622,325	608,903	562,522	531,126	683,945	744,327
Differences between expected and actual experiences[5]	—	(1,186,530)	(460,414)	(354,942)	(1,113,335)	916,117	(128,638)	417,491
Changes in assumptions	(1,637,897)	(164,236)	912,754	675,803	1,438,841	(3,595,519)	114,998	197,812
Benefit payments	(325,344)	(327,604)	(294,213)	(357,726)	(370,922)	(389,079)	(391,600)	(405,466)
Net change in total OPEB liability	(778,837)	(512,094)	1,284,281	1,107,734	1,095,735	(1,882,096)	764,206	1,435,934
Total OPEB liability – beginning	**15,990,189**	**15,211,352**	**14,699,258**	**15,983,539**	**17,091,273**	**18,187,008**	**16,304,912**	**17,069,118**
Total OPEB liability – ending (a)	**$ 15,211,352**	**$ 14,699,258**	**$ 15,983,539**	**$ 17,091,273**	**$ 18,187,008**	**$ 16,304,912**	**$ 17,069,118**	**$ 18,505,052**
Plan fiduciary net position								
Contributions – employer	$ 325,344	$ 327,604	$ 294,213	$ 357,726	$ 370,922	$ 389,079	$ 391,600	$ 405,466
Contributions – prefunding	146,933	65,245	106,592	129,540	109,211	234,564	121,509	124,954
Contributions – employee	23,181	65,245	106,592	129,540	—	119,564	121,510	124,955
Net investment income	15,089	17,235	33,447	24,249	247,525	(209,053)	97,891	204,115
Benefit payments	(325,344)	(327,604)	(294,213)	(357,726)	(370,922)	(389,079)	(391,600)	(405,466)
Administrative expense	(48)	(128)	(94)	(342)	(343)	(353)	(427)	(592)
Other expenses	—	—	—	—	—	—	—	—
Net change in plan fiduciary net position	185,155	147,597	246,537	282,987	356,393	144,722	340,483	453,432
Plan fiduciary net position – beginning	**—**	**185,155**	**332,511** *	**579,048**	**862,035**	**1,218,428**	**1,363,150**	**1,703,633**
Plan fiduciary net position – ending (b)	**$ 185,155**	**$ 332,752**	**$ 579,048**	**$ 862,035**	**$ 1,218,428**	**$ 1,363,150**	**$ 1,703,633**	**$ 2,157,065**
State's net OPEB liability – ending (a) – (b)	**$ 15,026,197**	**$ 14,366,506**	**$ 15,404,491**	**$ 16,229,238**	**$ 16,968,580**	**$ 14,941,762**	**$ 15,365,485**	**$ 16,347,987**
Plan fiduciary net position as a percentage of the total OPEB liability	1.22 %	2.26 %	3.62 %	5.04 %	6.70 %	8.36 %	9.98 %	11.66 %
Covered payroll	$ 2,653,404	$ 2,726,616	$ 2,819,233	$ 2,989,457	$ 2,709,765	$ 2,983,435	$ 2,996,198	$ 3,076,242
State's net OPEB liability as a percentage of covered payroll	566.30 %	526.90 %	546.41 %	542.88 %	626.20 %	500.82 %	512.83 %	531.43 %

(continued)

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

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
BARGAINING UNIT 9 PLAN[3]								
Total OPEB liability								
Service cost	$ 166,173	$ 142,954	$ 127,060	$ 136,522	$ 155,301	$ 173,027	$ 130,885	$ 133,947
Interest on total OPEB liability	154,495	174,062	165,399	159,587	144,901	129,982	174,009	193,203
Differences between expected and actual experiences[5]	—	(334,650)	(88,806)	(55,316)	(308,759)	222,406	62,131	224,536
Changes in assumptions	(475,991)	(200,549)	145,634	93,540	166,566	(879,542)	37,701	52,070
Benefit payments	(82,449)	(85,278)	(84,522)	(100,777)	(109,002)	(120,334)	(128,736)	(143,125)
Net change in total OPEB liability	(237,772)	(303,461)	264,765	233,556	49,007	(474,461)	275,990	460,631
Total OPEB liability – beginning	**4,640,159**	**4,402,387**	**4,098,926**	**4,363,691**	**4,597,247**	**4,646,254**	**4,171,793**	**4,447,783**
Total OPEB liability – ending (a)	**$ 4,402,387**	**$ 4,098,926**	**$ 4,363,691**	**$ 4,597,247**	**$ 4,646,254**	**$ 4,171,793**	**$ 4,447,783**	**$ 4,908,414**
Plan fiduciary net position								
Contributions – employer	$ 82,449	$ 85,278	$ 84,522	$ 100,777	$ 109,002	$ 120,334	$ 128,736	$ 143,125
Contributions – prefunding	35,210	5,688	13,311	31,649	28,942	61,871	35,760	38,361
Contributions – employee	—	5,688	13,311	31,649	—	33,871	35,761	38,362
Net investment income	3,630	3,246	4,789	3,793	44,511	(42,399)	20,892	46,207
Benefit payments	(82,449)	(85,278)	(84,522)	(100,777)	(109,002)	(120,334)	(128,736)	(143,125)
Administrative expense	(11)	(22)	(14)	(55)	(62)	(69)	(90)	(132)
Other expenses	—	—	—	—	—	—	—	—
Net change in plan fiduciary net position	38,829	14,600	31,397	67,036	73,391	53,274	92,323	122,798
Plan fiduciary net position – beginning	**—**	**38,829**	**53,391** *	**84,788**	**151,824**	**225,215**	**278,489**	**370,812**
Plan fiduciary net position – ending (b)	**$ 38,829**	**$ 53,429**	**$ 84,788**	**$ 151,824**	**$ 225,215**	**$ 278,489**	**$ 370,812**	**$ 493,610**
State's net OPEB liability – ending (a) – (b)	**$ 4,363,558**	**$ 4,045,497**	**$ 4,278,903**	**$ 4,445,423**	**$ 4,421,039**	**$ 3,893,304**	**$ 4,076,971**	**$ 4,414,804**
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %	1.94 %	3.30 %	4.85 %	6.68 %	8.34 %	10.06 %
Covered payroll	$ 1,366,302	$ 1,376,743	$ 1,502,529	$ 1,596,949	$ 1,498,878	$ 1,770,060	$ 1,796,847	$ 1,927,511
State's net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %	284.78 %	278.37 %	294.96 %	219.95 %	226.90 %	229.04 %

(continued)

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

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
BARGAINING UNIT 12 PLAN[3]								
Total OPEB liability								
Service cost	$ 167,689	$ 146,732	$ 129,311	$ 134,649	$ 137,010	$ 145,385	$ 115,098	$ 113,910
Interest on total OPEB liability	154,036	172,744	162,948	154,691	135,412	118,610	158,792	170,664
Differences between expected and actual experiences[5]	—	(362,455)	(97,510)	(149,086)	(348,753)	227,285	(61,321)	80,475
Changes in assumptions	(433,966)	(166,573)	152,849	21,353	165,715	(760,893)	52,679	56,912
Benefit payments	(110,860)	(114,235)	(120,833)	(127,671)	(132,052)	(139,651)	(142,038)	(149,137)
Net change in total OPEB liability	(223,101)	(323,787)	226,765	33,936	(42,668)	(409,264)	123,210	272,824
Total OPEB liability – beginning	**4,540,951**	**4,317,850**	**3,994,063**	**4,220,828**	**4,254,764**	**4,212,096**	**3,802,832**	**3,926,042**
Total OPEB liability – ending (a)	**$ 4,317,850**	**$ 3,994,063**	**$ 4,220,828**	**$ 4,254,764**	**$ 4,212,096**	**$ 3,802,832**	**$ 3,926,042**	**$ 4,198,866**
Plan fiduciary net position								
Contributions – employer	$ 110,860	$ 114,235	$ 120,833	$ 127,671	$ 132,052	$ 139,651	$ 142,038	$ 149,137
Contributions – prefunding	1,076	8,280	16,268	26,329	31,233	63,357	33,161	30,769
Contributions – employee	1,076	8,280	16,268	26,329	—	31,356	33,161	30,770
Net investment income	872	1,051	3,552	2,974	36,034	(37,298)	18,472	40,218
Benefit payments	(110,860)	(114,235)	(120,833)	(127,671)	(132,052)	(139,651)	(142,038)	(149,137)
Administrative expense	(4)	(9)	(9)	(43)	(52)	(59)	(79)	(116)
Other expenses	—	—	—	—	—	—	—	—
Net change in plan fiduciary net position	3,020	17,602	36,079	55,589	67,215	57,356	84,715	101,641
Plan fiduciary net position – beginning	**7,186**	**10,206**	**27,788** *	**63,867**	**119,456**	**186,671**	**244,027**	**328,742**
Plan fiduciary net position – ending (b)	**$ 10,206**	**$ 27,808**	**$ 63,867**	**$ 119,456**	**$ 186,671**	**$ 244,027**	**$ 328,742**	**$ 430,383**
State's net OPEB liability – ending (a) – (b)	**$ 4,307,644**	**$ 3,966,255**	**$ 4,156,961**	**$ 4,135,308**	**$ 4,025,425**	**$ 3,558,805**	**$ 3,597,300**	**$ 3,768,483**
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %	1.51 %	2.81 %	4.43 %	6.42 %	8.37 %	10.25 %
Covered payroll	$ 627,283	$ 676,752	$ 723,964	$ 748,801	$ 673,098	$ 805,625	$ 824,956	$ 881,112
State's net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %	574.19 %	552.26 %	598.04 %	441.74 %	436.06 %	427.70 %

(continued)

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

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2, 4]	2019[2, 4]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
OTHER FUNDED PLANS[3]								
Total OPEB liability								
Service cost	$ 92,991	$ 501,028	$ 528,502	$ 546,766	$ 597,140	$ 674,238	$ 523,411	$ 539,048
Interest on total OPEB liability	74,923	523,258	581,170	570,727	508,583	464,427	621,278	680,169
Differences between expected and actual experiences[5]	—	(1,033,520)	(221,816)	(517,882)	(1,092,126)	1,023,794	(38,737)	604,294
Changes in assumptions	(197,059)	(304,299)	506,543	305,572	811,046	(3,182,977)	207,290	146,498
Benefit payments	(46,820)	(288,774)	(364,207)	(371,323)	(401,508)	(436,182)	(454,415)	(498,238)
Net change in total OPEB liability	(75,965)	(602,307)	1,030,192	533,860	423,135	(1,456,700)	858,827	1,471,771
Total OPEB liability – beginning	**2,116,405**	**12,699,917** *	**14,074,765** *	**15,104,957**	**15,638,817**	**16,061,952**	**14,605,252**	**15,464,079**
Total OPEB liability – ending (a)	**$ 2,040,440**	**$ 12,097,610**	**$ 15,104,957**	**$ 15,638,817**	**$ 16,061,952**	**$ 14,605,252**	**$ 15,464,079**	**$ 16,935,850**
Plan fiduciary net position								
Contributions – employer	$ 46,820	$ 288,774	$ 364,207	$ 371,323	$ 401,508	$ 436,182	$ 454,415	$ 498,238
Contributions – prefunding	10,442	32,759	71,376	124,916	127,043	262,488	139,289	143,816
Contributions – employee	2,323	32,759	71,376	124,916	—	137,487	139,289	143,814
Net investment income	1,589	5,578	16,116	13,386	163,783	(164,073)	81,057	177,865
Benefit payments	(46,820)	(288,774)	(364,207)	(371,323)	(401,508)	(436,182)	(454,415)	(498,238)
Administrative expense	(7)	(47)	(43)	(194)	(230)	(263)	(349)	(510)
Other expenses	—	—	—	—	—	—	—	—
Net change in plan fiduciary net position	14,347	71,049	158,825	263,024	290,596	235,639	359,286	464,985
Plan fiduciary net position – beginning	**4,836**	**57,956** *	**128,914** *	**287,739**	**550,763**	**841,359**	**1,076,998**	**1,436,284**
Plan fiduciary net position – ending (b)	**$ 19,183**	**$ 129,005**	**$ 287,739**	**$ 550,763**	**$ 841,359**	**$ 1,076,998**	**$ 1,436,284**	**$ 1,901,269**
State's net OPEB liability – ending (a) – (b)	**$ 2,021,257**	**$ 11,968,605**	**$ 14,817,218**	**$ 15,088,054**	**$ 15,220,593**	**$ 13,528,254**	**$ 14,027,795**	**$ 15,034,581**
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %	1.90 %	3.52 %	5.24 %	7.37 %	9.29 %	11.23 %
Covered payroll	$ 851,868	$ 3,469,855	$ 4,162,765	$ 4,363,200	$ 3,875,766	$ 4,500,952	$ 5,075,978	$ 5,464,851
State's net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %	355.95 %	345.80 %	392.71 %	300.56 %	276.36 %	275.11 %

(continued)

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

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2, 4]	2019[2, 4, 6]	2020[2]	2021[2]	2022[2]	2023[2]	2024[2]
UNFUNDED PLAN[3]								
Total OPEB liability								
Service cost	$ 2,805,040	$ 2,008,794	$ 651,082	$ 695,884	$ 826,026	$ 828,893	$ 579,259	$ 600,394
Interest on total OPEB liability	2,112,139	1,959,522	576,896	547,791	447,744	350,040	575,416	626,464
Differences between expected and actual experiences[5]	—	(4,164,211)	(41,161)	(665,066)	(1,270,439)	1,171,850	(264,319)	537,274
Changes in assumptions	(6,610,919)	(1,766,620)	863,523	583,238	476,706	(4,210,439)	264,317	173,487
Benefit payments	(1,457,705)	(1,352,652)	(546,742)	(512,702)	(522,538)	(530,610)	(527,794)	(552,876)
Net change in total OPEB liability	(3,151,445)	(3,315,167)	1,503,598	649,145	(42,501)	(2,390,266)	626,879	1,384,743
Total OPEB liability – beginning	**64,144,931**	**50,334,009** *	**15,556,199** *	**17,059,797**	**17,708,942**	**17,666,441**	**15,276,175**	**15,903,054**
Total OPEB liability – ending (a)	**$ 60,993,486**	**$ 47,018,842**	**$ 17,059,797**	**$ 17,708,942**	**$ 17,666,441**	**$ 15,276,175**	**$ 15,903,054**	**$ 17,287,797**
Plan fiduciary net position								
Contributions – employer	$ 1,457,705	$ 1,352,652	$ 546,742	$ 512,702	$ 522,538	$ 530,610	$ 527,794	$ 552,876
Contributions – prefunding	—	—	—	—	—	—	—	—
Contributions – employee	—	—	—	—	—	—	—	—
Net investment income	—	—	—	—	—	—	—	—
Benefit payments	(1,457,705)	(1,352,652)	(546,742)	(512,702)	(522,538)	(530,610)	(527,794)	(552,876)
Administrative expense	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
Net change in plan fiduciary net position	—	—	—	—	—	—	—	—
Plan fiduciary net position – beginning	—	—	—	—	—	—	—	—
Plan fiduciary net position – ending (b)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
State's net OPEB liability – ending (a) – (b)	**$ 60,993,486**	**$ 47,018,842**	**$ 17,059,797**	**$ 17,708,942**	**$ 17,666,441**	**$ 15,276,175**	**$ 15,903,054**	**$ 17,287,797**
Plan fiduciary net position as a percentage of the total OPEB liability	— %	— %	— %	— %	— %	— %	— %	— %
Covered payroll	$ 12,525,617	$ 10,825,049	$ 3,366,371	$ 3,536,386	$ 3,483,142	$ 3,539,212	$ 3,805,373	$ 4,079,450
State's net OPEB liability as a percentage of covered payroll	486.95 %	434.35 %	506.77 %	500.76 %	507.20 %	431.63 %	417.91 %	423.78 %

(concluded)

Schedule of OPEB Contributions

For the Past Eight Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]	2020[3]	2021	2022	2023	2024	2025
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN[2]								
Actuarially determined contribution	$ —	$ —	$ 1,543,231	$ 1,584,331	$ 1,336,683	$ 1,453,078	$ 1,557,071	$ 1,742,828
Contributions in relation to the actuarially determined contribution	—	—	(1,077,554)	(1,204,613)	(1,576,969)	(1,369,690)	(1,451,868)	(1,601,419)
Contribution deficiency (excess)	**$ —**	**$ —**	**$ 465,677**	**$ 379,718**	**$ (240,286)**	**$ 83,388**	**$ 105,203**	**$ 141,409**
Covered payroll	$ —	$ —	$ 7,701,525	$ 7,477,126	$ 8,705,771	$ 8,705,889	$ 9,364,496	$ 9,950,053
Contributions as a percentage of covered payroll	—	—	13.99 %	16.11 %	18.11 %	15.73 %	15.50 %	16.09 %
BARGAINING UNIT 5 PLAN								
Actuarially determined contribution	$ 204,361	$ 210,626	$ 229,183	$ 240,749	$ 239,989	$ 230,075	$ 236,378	$ 254,589
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)	(139,230)	(87,872)	(212,763)	(143,430)	(143,298)	(146,371)
Contribution deficiency	**$ 19,905**	**$ 73,151**	**$ 89,953**	**$ 152,877**	**$ 27,226**	**$ 86,645**	**$ 93,080**	**$ 108,218**
Covered payroll	$ 915,549	$ 942,765	$ 958,694	$ 890,777	$ 950,596	$ 993,733	$ 1,074,372	$ 1,144,416
Contributions as a percentage of covered payroll	20.15 %	14.58 %	14.52 %	9.86 %	22.38 %	14.43 %	13.34 %	12.79 %
BARGAINING UNIT 6 PLAN								
Actuarially determined contribution	$ 743,757	$ 671,262	$ 676,241	$ 772,683	$ 681,831	$ 769,312	$ 825,327	$ 904,388
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)	(477,342)	(480,133)	(623,643)	(513,110)	(530,421)	(562,863)
Contribution deficiency	**$ 240,121**	**$ 226,201**	**$ 198,899**	**$ 292,550**	**$ 58,188**	**$ 256,202**	**$ 294,906**	**$ 341,525**
Covered payroll	$ 2,805,093	$ 2,819,233	$ 2,989,457	$ 2,709,765	$ 2,983,435	$ 2,996,198	$ 3,076,242	$ 3,137,556
Contributions as a percentage of covered payroll	17.95 %	15.79 %	15.97 %	17.72 %	20.90 %	17.13 %	17.24 %	17.94 %
BARGAINING UNIT 9 PLAN[2]								
Actuarially determined contribution	$ 207,027	$ 191,109	$ 194,353	$ 212,002	$ 182,301	$ 205,694	$ 224,963	$ 252,502
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)	(131,031)	(137,944)	(182,205)	(164,497)	(181,487)	(200,024)
Contribution deficiency	**$ 81,556**	**$ 88,138**	**$ 63,322**	**$ 74,058**	**$ 96**	**$ 41,197**	**$ 43,476**	**$ 52,478**
Covered payroll	$ 1,444,410	$ 1,502,529	$ 1,596,949	$ 1,498,878	$ 1,770,060	$ 1,796,847	$ 1,927,511	$ 2,029,192
Contributions as a percentage of covered payroll	8.69 %	6.85 %	8.21 %	9.20 %	10.29 %	9.15 %	9.42 %	9.86 %

(continued)

[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.

Schedule of OPEB Contributions (continued)

For the Past Eight Fiscal Years
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]	2020[3]	2021	2022	2023	2024	2025
BARGAINING UNIT 12 PLAN[2]								
Actuarially determined contribution	$ 217,883	$ 197,202	$ 198,316	$ 203,358	$ 169,461	$ 190,550	$ 200,732	$ 217,800
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)	(153,368)	(160,882)	(203,007)	(175,199)	(179,907)	(196,605)
Contribution deficiency (excess)	**$ 98,515**	**$ 59,444**	**$ 44,948**	**$ 42,476**	**$ (33,546)**	**$ 15,351**	**$ 20,825**	**$ 21,195**
Covered payroll	$ 663,143	$ 723,870	$ 748,801	$ 673,098	$ 805,625	$ 824,956	$ 881,112	$ 902,765
Contributions as a percentage of covered payroll	18.00 %	19.03 %	20.48 %	23.90 %	25.20 %	21.24 %	20.42 %	21.78 %
OTHER FUNDED PLANS[2]								
Actuarially determined contribution	$ 109,630	$ 608,960	$ 707,352	$ 756,965	$ 645,590	$ 738,895	$ 797,852	$ 889,871
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)	(492,373)	(522,778)	(698,669)	(593,704)	(642,053)	(720,144)
Contribution deficiency (excess)	**$ 48,566**	**$ 242,910**	**$ 214,979**	**$ 234,187**	**$ (53,079)**	**$ 145,191**	**$ 155,799**	**$ 169,727**
Covered payroll	$ 900,567	$ 3,595,234	$ 4,363,200	$ 3,875,766	$ 4,500,952	$ 5,075,978	$ 5,464,851	$ 5,963,861
Contributions as a percentage of covered payroll	6.78 %	10.18 %	11.28 %	13.49 %	15.52 %	11.70 %	11.75 %	12.08 %
UNFUNDED PLAN[2]								
Actuarially determined contribution	$ 3,199,223	$ 2,552,923	$ 977,820	$ 944,654	$ 915,632	$ 1,056,808	$ 1,155,890	$ 1,315,474
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)	(512,702)	(504,813)	(530,610)	(527,794)	(552,876)	(616,066)
Contribution deficiency	**$ 1,651,234**	**$ 1,059,900**	**$ 465,118**	**$ 439,841**	**$ 385,022**	**$ 529,014**	**$ 603,014**	**$ 699,408**
Covered payroll	$ 13,241,681	$ 11,391,811	$ 3,536,386	$ 3,483,142	$ 3,539,212	$ 3,805,373	$ 4,079,450	$ 4,318,552
Contributions as a percentage of covered payroll	11.69 %	13.11 %	14.50 %	14.49 %	14.99 %	13.87 %	13.55 %	14.27 %

(continued)

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, 2024.
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, 2023, Actuarial Valuation Report.
Inflation	2.30%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2025, increasing to 7.00% in 2026, grading down to 4.50% from 2031 to 2039, and 4.25% for 2040 and later years.
	Post-Medicare coverage: Actual rates for 2025, increasing to rates ranging from 7.00% to 8.01% in 2026, grading down to 4.50% from 2035 to 2039, and 4.25% for 2040 and later years.
	Dental coverage: 0.00% for 2025, 2.00% for 2026, 3.00% for 2027, 4.00% for 2028, and 4.25% for 2029 and later years.
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, 2025, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling $86.5 billion; land purchased for highway projects totaling $15.4 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling $12.2 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted construction projects) totaling $9.0 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, 2025, there were no donations of infrastructure land, and relinquishments were $16 million of state highway infrastructure (completed highway projects) and $3 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/tunnels 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' (AASHTO) *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 2024-25 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 Condition[1]	Actual Condition
2023	90.0% Fair or Better	93.7% Fair or Better
2024	90.0% Fair or Better	94.0% Fair or Better
2025	90.0% Fair or Better	94.7% Fair or Better

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

The following table provides details on the actual condition of the State's bridges as of June 30, 2025:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	6,911	116,778,042	43.89 %
Fair	5,646	135,223,746	50.83
Poor	382	14,046,042	5.28
Total	**12,939**	**266,047,830**	**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 Date[1]	Established Condition Baseline Distressed Lane Miles (maximum)[2]	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
July 2023	18,000	6,980	13.76 %
September 2024	18,000	7,453	14.69
July 2025	18,000	7,568	14.92

[1]Condition assessment for the State's established condition baseline and actual distressed lane miles are being reported in the latest 2023 State of the Pavement Report with the publication date of July 2025.

[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	31,983	—
Fair	11,176	—
Poor	7,568	7,568
Total	**50,727**	**7,568**

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]
2021	$ 255	$ 256
2022	231	226
2023	307	302
2024	313	298
2025	241	196

[1]Some 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]
2021	$ 5,263	$ 5,168
2022	5,145	4,925
2023	7,503	6,669
2024	7,161	5,569
2025	6,287	3,068

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

Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2025

(amounts in thousands)

	General				Federal				Environmental and Natural Resources			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final			Original	Final		
REVENUES												
Corporation tax	$ 43,199,442	$ 41,338,259	$ 41,655,877	$ 317,618	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—	152,863,825	152,863,825	152,863,825	—	—	—	—	—
Cigarette and tobacco taxes	36,832	37,026	37,026	—	—	—	—	—	—	—	—	—
Insurance gross premiums tax	4,063,907	4,298,323	4,264,423	(33,900)	—	—	—	—	—	—	—	—
Vehicle license fees	746	912	912	—	—	—	—	—	—	—	—	—
Personal income tax	121,106,412	130,177,960	132,764,985	2,587,025	—	—	—	—	—	—	—	—
Retail sales and use taxes	34,110,326	33,602,178	33,898,727	296,549	—	—	—	—	—	—	—	—
Other major taxes and licenses	423,340	414,268	419,039	4,771	—	—	—	—	166,289	166,289	166,289	—
Other revenues	6,047,751	8,637,025	8,488,629	(148,396)	31	31	31	—	9,184,426	9,184,426	9,184,426	—
Total revenues	**208,988,756**	**218,505,951**	**221,529,618**	**3,023,667**	**152,863,856**	**152,863,856**	**152,863,856**	**—**	**9,350,715**	**9,350,715**	**9,350,715**	**—**
EXPENDITURES												
Business, consumer services, and housing	4,664,887	4,672,276	4,012,903	(659,373)	550,581	550,581	550,581	—	380,006	379,587	342,118	(37,469)
Transportation	894,699	894,610	571,508	(323,102)	5,802,246	5,802,246	5,802,246	—	1,975,800	1,975,832	1,565,653	(410,179)
Natural resources and environmental protection	7,328,541	8,274,280	5,991,883	(2,282,397)	1,316,896	1,316,896	1,316,896	—	7,380,161	7,219,332	6,740,943	(478,389)
Health and human services	76,520,876	79,544,603	74,245,708	(5,298,895)	121,581,914	121,581,914	121,581,914	—	66,346	63,319	52,438	(10,881)
Corrections and rehabilitation	14,713,904	14,423,158	14,119,511	(303,647)	83,301	83,301	83,301	—	—	—	—	—
Education	97,863,049	96,758,116	96,686,709	(71,407)	7,819,036	7,819,036	7,819,036	—	3,663	3,663	3,651	(12)
General government:												
Tax relief	423,150	423,150	385,794	(37,356)	—	—	—	—	—	—	—	—
Debt service	5,169,604	5,174,678	5,130,977	(43,701)	—	—	—	—	(499)	(499)	(499)	—
Other general government	19,261,291	18,887,179	16,902,028	(1,985,151)	7,022,724	7,022,724	7,022,724	—	181,264	179,288	159,402	(19,886)
Total expenditures	**226,840,001**	**229,052,050**	**218,047,021**	**(11,005,029)**	**144,176,698**	**144,176,698**	**144,176,698**	**—**	**9,986,741**	**9,820,522**	**8,863,706**	**(956,816)**
OTHER FINANCING SOURCES (USES)												
Transfers from other funds			18,997,572	—	—	—	17,800	—	—	—	1,048,011	—
Transfers to other funds			(4,008,524)	—	—	—	(8,704,927)	—	—	—	(1,544,595)	—
Other additions (deductions)			6,257,241	—	—	—	—	—	—	—	950,919	—
Total other financing sources (uses)	**—**	**—**	**21,246,289**	**—**	**—**	**—**	**(8,687,127)**	**—**	**—**	**—**	**454,335**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses			24,728,886	—	—	—	31	—	—	—	941,344	—
Fund balances – beginning			**19,619,568** *	**—**	**—**	**—**	**701**	**—**	**—**	**—**	**24,077,474** *	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 44,348,454**	**$ —**	**$ —**	**$ —**	**$ 732**	**$ —**	**$ —**	**$ —**	**$ 25,018,818**	**$ —**

* Restated

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

June 30, 2025
(amounts in thousands)

		Major Special Revenue Funds	
	General	Federal	Environmental and Natural Resources
Budgetary fund balance reclassified into GAAP statement fund structure	**$ 44,348,454**	**$ 732**	**$ 25,018,818**
Basis difference:			
Interfund receivables	2,586,541		573,675
Loans receivable	1,979,581	518,709	1,159,867
Interfund payables	(4,423,327)		(2,227)
Escheat property	(2,182,406)		
Tax revenues	2,368,189		
Fund classification changes	21,286,881	19,472	
Other	(7,256,135)		(807,676)
Timing difference:			
Liabilities budgeted in subsequent years	(859,184)	(6,242)	(4,404)
GAAP fund balance – ending	**$ 57,848,594**	**$ 532,671**	**$ 25,938,053**

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, for which 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 at https://sco.ca.gov/ard_state_acfr_sup.html.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of $2.6 billion in the General Fund, and $574 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of $2.0 billion in the General Fund, $519 million in the Federal Fund, and $1.2 billion 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 $4.4 billion in the General Fund, $2 million in the Environmental and Natural Resources 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 $2.2 billion decrease in the General Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008; however, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused an increase of $2.4 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 $21.3 billion in the General Fund and $19 million 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 $7.3 billion in the General Fund and a decrease of $808 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of $859 million in the General Fund and $4 million in the Environmental and Natural Resources Fund. The large decrease in the General Fund primarily consists of $517 million for workers' compensation claims.

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 **Transportation Fund** accounts for fuel taxes, bond proceeds, automobile registration fees, and other revenues used for bridge and highway maintenance, passenger rail construction, and transportation safety programs.

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 **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.

(continued)

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.

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.

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, 2025

(amounts in thousands)

	Special Revenue									
	Transportation	Health Care Related Programs	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax	Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
ASSETS										
Cash and pooled investments	$ 12,304,123	$ 2,736,434	$ 2,718,522	$ 3,955,272	$ 2,529,516	$ 4,019,584	$ 1,327,307	$ 74,524	$ 5,862,740	$ 35,528,022
Investments	—	—	—	—	—	—	584,306	235,746	—	820,052
Receivables (net)	1,807,338	11,049,781	155,603	265,600	710,129	17,539	232,837	210,569	262,086	14,711,482
Due from other funds	1,779,454	357,558	39,146	713,135	55,535	228,627	24,611	—	497,682	3,695,748
Due from other governments	7,398	908,909	8,806	328,521	38	—	39,872	—	31,924	1,325,468
Interfund receivables	948	998,528	256,793	31,802	184,400	17,916	21,602	—	1,251,384	2,763,373
Loans receivable	—	759	54,355	3,402,312	176	335	404	—	61,295	3,519,636
Other assets	16,305	—	—	—	—	—	19,873	—	—	36,178
Total assets	**$ 15,915,566**	**$ 16,051,969**	**$ 3,233,225**	**$ 8,696,642**	**$ 3,479,794**	**$ 4,284,001**	**$ 2,250,812**	**$ 520,839**	**$ 7,967,111**	**$ 62,399,959**
LIABILITIES										
Accounts payable	$ 2,126,022	$ 7,183,068	$ 151,305	$ 295,637	$ 68,336	$ 6,633	$ 259,600	$ —	$ 331,497	$ 10,422,098
Due to other funds	370,875	4,629,130	79,264	1,032	8,593	42,901	62,842	—	63,931	5,258,568
Due to component units	11,972	1,972	—	—	49,739	—	—	—	12,249	75,932
Due to other governments	1,285,661	888,524	30,650	508,193	64,529	4,109,662	101,139	—	399,468	7,387,826
Interfund payables	18,628	—	6,628	—	—	—	—	—	—	25,256
Revenues received in advance	67,009	1,453	76,966	5,969	—	—	64,685	—	122,027	338,109
Deposits	2,913	—	—	—	59,167	—	389,056	—	74,693	525,829
Other liabilities	841,195	—	33,447	125	—	—	135,894	—	33,336	1,043,997
Total liabilities	**4,724,275**	**12,704,147**	**378,260**	**810,956**	**250,364**	**4,159,196**	**1,013,216**	**—**	**1,037,201**	**25,077,615**
DEFERRED INFLOWS OF RESOURCES	70,608	181,540	—	—	453,106	—	1,045	—	49,537	755,836
Total liabilities and deferred inflows of resources	**4,794,883**	**12,885,687**	**378,260**	**810,956**	**703,470**	**4,159,196**	**1,014,261**	**—**	**1,086,738**	**25,833,451**
FUND BALANCES										
Nonspendable	—	—	—	—	—	—	16,235	—	—	16,235
Restricted	11,063,064	2,441,353	2,056,872	7,683,652	2,714,368	68,899	982,676	520,839	6,009,974	33,541,697
Committed	57,619	724,929	798,093	202,034	61,956	55,906	151,748	—	870,399	2,922,684
Assigned	—	—	—	—	—	—	85,892	—	—	85,892
Total fund balances	**11,120,683**	**3,166,282**	**2,854,965**	**7,885,686**	**2,776,324**	**124,805**	**1,236,551**	**520,839**	**6,880,373**	**36,566,508**
Total liabilities, deferred inflows of resources, and fund balances	**$ 15,915,566**	**$ 16,051,969**	**$ 3,233,225**	**$ 8,696,642**	**$ 3,479,794**	**$ 4,284,001**	**$ 2,250,812**	**$ 520,839**	**$ 7,967,111**	**$ 62,399,959**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2025

(amounts in thousands)

	Debt Service			Capital Projects					
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service	Higher Education Construction	Hospital Construction	Local Government Construction	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
ASSETS									
Cash and pooled investments	$ 96,073	$ —	$ 96,073	$ 332,103	$ 38,002	$ 99,688	$ 321,526	$ 791,319	$ 36,415,414
Investments	—	—	—	—	—	—	—	—	820,052
Receivables (net)	—	—	—	—	—	—	2,952	2,952	14,714,434
Due from other funds	1,701	70,256	71,957	3,425	453	1,070	6,010	10,958	3,778,663
Due from other governments	—	—	—	—	—	4,436	—	4,436	1,329,904
Interfund receivables	—	—	—	—	—	—	2,500	2,500	2,765,873
Loans receivable	—	—	—	—	—	—	322,828	322,828	3,842,464
Other assets	—	—	—	—	—	—	—	—	36,178
Total assets	**$ 97,774**	**$ 70,256**	$ 168,030	**$ 335,528**	**$ 38,455**	**$ 105,194**	**$ 655,816**	$ 1,134,993	$ 63,702,982
LIABILITIES									
Accounts payable	$ 201	$ —	$ 201	$ —	$ 246	$ —	$ 12,132	$ 12,378	$ 10,434,677
Due to other funds	29	70,256	70,285	—	425	—	1,256	1,681	5,330,534
Due to component units	—	—	—	—	—	—	—	—	75,932
Due to other governments	—	—	—	—	—	—	1,982	1,982	7,389,808
Interfund payables	—	—	—	—	—	—	—	—	25,256
Revenues received in advance	—	—	—	—	—	—	—	—	338,109
Deposits	—	—	—	—	—	—	—	—	525,829
Other liabilities	—	—	—	—	—	—	—	—	1,043,997
Total liabilities	**230**	**70,256**	70,486	**—**	**671**	**—**	**15,370**	16,041	25,164,142
DEFERRED INFLOWS OF RESOURCES	—	—	—	—	—	—	2,851	2,851	758,687
Total liabilities and deferred inflows of resources	**230**	**70,256**	70,486	**—**	**671**	**—**	**18,221**	18,892	25,922,829
FUND BALANCES									
Nonspendable	—	—	—	—	—	—	—	—	16,235
Restricted	97,544	—	97,544	335,528	37,784	105,194	533,265	1,011,771	34,651,012
Committed	—	—	—	—	—	—	104,330	104,330	3,027,014
Assigned	—	—	—	—	—	—	—	—	85,892
Total fund balances	**97,544**	**—**	97,544	**335,528**	**37,784**	**105,194**	**637,595**	1,116,101	37,780,153
Total liabilities, deferred inflows of resources, and fund balances	**$ 97,774**	**$ 70,256**	$ 168,030	**$ 335,528**	**$ 38,455**	**$ 105,194**	**$ 655,816**	$ 1,134,993	$ 63,702,982

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2025

(amounts in thousands)

	Special Revenue									
	Transportation	Health Care Related Programs	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax	Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
REVENUES										
Personal income taxes	$ —	$ —	$ —	$ 2,269,742	$ —	$ —	$ —	$ —	$ —	$ 2,269,742
Sales and use taxes	1,111,163	—	—	—	—	18,838,454	—	—	—	19,949,617
Motor vehicle excise taxes	9,071,534	—	87,633	63,786	—	—	—	—	—	9,222,953
Managed care organization enrollment tax	—	12,701,905	—	—	—	—	—	—	—	12,701,905
Other taxes	—	—	1,428	1,012,752	1,648,167	56,994	—	—	—	2,719,341
Intergovernmental	—	5,038,301	—	—	—	—	836,104	—	—	5,874,405
Licenses and permits	7,138,131	1,570	895,455	14,854	192	2,797,813	—	—	145,854	10,993,869
Charges for services	156,183	49,794	51,203	2,819	(68)	—	50,435	—	377,441	687,807
Fees	2,660,285	7,381,770	1,648,914	243,065	(75)	—	638,714	—	1,523,311	14,095,984
Penalties	10,614	—	71,951	181	—	155	191,423	—	226,963	501,287
Investment and interest	516,077	95,304	113,965	107,220	26,857	34,165	93,026	11,815	191,029	1,189,458
Escheat	—	—	93	—	—	—	1,462	—	1	1,556
Other	102,236	794,875	21,804	60,262	6,644	—	172,828	358,165	1,393,268	2,910,082
Total revenues	**20,766,223**	**26,063,519**	**2,892,446**	**3,774,681**	**1,681,717**	**21,727,581**	**1,983,992**	**369,980**	**3,857,867**	**83,118,006**
EXPENDITURES										
Current:										
General government	619,984	8,165	1,020,026	1,059,590	109,368	6,263,342	4,651,297	655	1,888,595	15,621,022
Education	9,266	371,074	29,315	653	191,463	—	—	—	7,169	608,940
Health and human services	4,641	24,553,036	721,379	4,043,393	1,320,468	13,999,460	—	—	1,253,919	45,896,296
Natural resources and environmental protection	188,947	535	126,652	67,321	111,811	—	—	—	93,495	588,761
Businesses, consumer services, and housing	117,805	—	938,552	587,593	855	875	165	—	47,925	1,693,770
Transportation	18,198,087	—	8,905	—	23,315	1	—	—	3,876	18,234,184
Corrections and rehabilitation	—	—	—	117,805	14,796	2,313,670	—	—	—	2,446,271
Capital outlay	101,790	—	23,127	—	—	—	3,164	—	5,906	133,987
Debt service:										
Bond, commercial paper, and lease principal retirement	1,416,162	66,052	46,219	110,415	14	—	42,100	237,495	33,391	1,951,848
Interest and fiscal charges	62,241	46,989	4,158	1,473	23	—	20,511	139,552	5,951	280,898
Total expenditures	**20,718,923**	**25,045,851**	**2,918,333**	**5,988,243**	**1,772,113**	**22,577,348**	**4,717,237**	**377,702**	**3,340,227**	**87,455,977**
Excess (deficiency) of revenues over (under) expenditures	47,300	1,017,668	(25,887)	(2,213,562)	**(90,396)**	**(849,767)**	**(2,733,245)**	**(7,722)**	**517,640**	**(4,337,971)**
OTHER FINANCING SOURCES (USES)										
General obligation bonds and commercial paper issued	1,343,370	437,615	—	1,058,365	—	—	—	—	—	2,839,350
Refunding debt issued	1,575,855	—	—	90,965	—	—	—	—	—	1,666,820
Payment to refund/remarket long-term debt	(465,136)	—	—	(32,437)	—	—	—	—	—	(497,573)
Premium on bonds issued	139,083	3,926	—	4,851	—	—	—	—	—	147,860
Long-term capital financing issued	101,784	—	21,506	—	—	—	3,164	—	5,906	132,360
Transfers in	5,031	305,195	96,626	728,840	3	931,621	2,578,707	—	79,141	4,725,164
Transfers out	(2,296,834)	(10,000)	(55,634)	(163,505)	(45,252)	—	—	—	(176,100)	(2,747,325)
Total other financing sources (uses)	**403,153**	**736,736**	**62,498**	**1,687,079**	**(45,249)**	**931,621**	**2,581,871**	**—**	**(91,053)**	**6,266,656**
Net change in fund balances	450,453	1,754,404	36,611	(526,483)	(135,645)	81,854	(151,374)	(7,722)	426,587	1,928,685
Fund balances – beginning, as previously reported	**10,670,022**	**1,134,046**	**2,818,354**	**8,412,169**	**3,131,535**	**42,951**	**1,387,924**	**528,561**	**6,480,147**	**34,605,709**
Error corrections	208	58,266	—	—	—	—	1	—	720	59,195
Change to or within the financial reporting entity	—	219,566	—	—	(219,566)	—	—	—	(27,081)	(27,081)
Fund balances – beginning, as restated	**10,670,230**	**1,411,878**	**2,818,354**	**8,412,169**	**2,911,969**	**42,951**	**1,387,925**	**528,561**	**6,453,786**	**34,637,823**
Fund balances – ending	**$ 11,120,683**	**$ 3,166,282**	**$ 2,854,965**	**$ 7,885,686**	**$ 2,776,324**	**$ 124,805**	**$ 1,236,551**	**$ 520,839**	**$ 6,880,373**	**$ 36,566,508**

(continued)

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

Nonmajor Governmental Funds

Year Ended June 30, 2025

(amounts in thousands)

	Debt Service			Capital Projects					
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service	Higher Education Construction	Hospital Construction	Local Government Construction	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
REVENUES									
Personal income taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,269,742
Sales and use taxes	—	—	—	—	—	—	—	—	19,949,617
Motor vehicle excise taxes	—	—	—	—	—	—	—	—	9,222,953
Managed care organization enrollment tax	—	—	—	—	—	—	—	—	12,701,905
Other taxes	—	—	—	—	—	—	—	—	2,719,341
Intergovernmental	—	—	—	—	—	—	—	—	5,874,405
Licenses and permits	—	—	—	—	—	—	—	—	10,993,869
Charges for services	—	—	—	—	—	—	—	—	687,807
Fees	—	—	—	—	—	—	—	—	14,095,984
Penalties	—	—	—	—	—	—	—	—	501,287
Investment and interest	6,281	—	6,281	9,586	228	8,724	3,118	21,656	1,217,395
Escheat	—	—	—	—	—	—	—	—	1,556
Other	—	—	—	—	—	—	12,369	12,369	2,922,451
Total revenues	**6,281**	**—**	**6,281**	**9,586**	**228**	**8,724**	**15,487**	**34,025**	**83,158,312**
EXPENDITURES									
Current:									
General government	325	—	325	—	92,158	—	—	92,158	15,713,505
Education	—	—	—	—	—	107,015	—	107,015	715,955
Health and human services	—	—	—	—	—	—	—	—	45,896,296
Natural resources and environmental protection	—	—	—	—	—	—	15,757	15,757	604,518
Businesses, consumer services, and housing	—	—	—	—	—	—	975	975	1,694,745
Transportation	—	—	—	—	—	—	—	—	18,234,184
Corrections and rehabilitation	—	—	—	—	—	—	—	—	2,446,271
Capital outlay	—	—	—	260,153	625	69	28,014	288,861	422,848
Debt service:									
Bond, commercial paper, and lease principal retirement	82,585	739,571	822,156	235,345	233,160	1,153,755	47,315	1,669,575	4,443,579
Interest and fiscal charges	56,584	647,601	704,185	3,736	641	13,106	66	17,549	1,002,632
Total expenditures	**139,494**	**1,387,172**	**1,526,666**	**499,234**	**326,584**	**1,273,945**	**92,127**	**2,191,890**	**91,174,533**
Excess (deficiency) of revenues over (under) expenditures	**(133,213)**	**(1,387,172)**	**(1,520,385)**	(489,648)	(326,356)	(1,265,221)	(76,640)	(2,157,865)	(8,016,221)
OTHER FINANCING SOURCES (USES)									
General obligation bonds and commercial paper issued	—	—	—	285,775	202,435	115,145	164,685	768,040	3,607,390
Refunding debt issued	—	—	—	276,205	68,695	954,880	—	1,299,780	2,966,600
Payment to refund/remarket long-term debt	—	—	—	(69,590)	—	—	—	(69,590)	(567,163)
Premium on bonds issued	—	—	—	31,221	17,341	99,335	441	148,338	296,198
Long-term capital financing issued	—	—	—	—	—	—	—	—	132,360
Transfers in	139,505	1,387,172	1,526,677	—	—	—	44,926	44,926	6,296,767
Transfers out	—	—	—	—	—	(818)	—	(818)	(2,748,143)
Total other financing sources (uses)	**139,505**	**1,387,172**	**1,526,677**	**523,611**	**288,471**	**1,168,542**	**210,052**	**2,190,676**	**9,984,009**
Net change in fund balances	6,292	—	6,292	33,963	(37,885)	(96,679)	133,412	32,811	1,967,788
Fund balances – beginning, as previously reported	**91,252**	**—**	**91,252**	**301,565**	**75,669**	**201,873**	**504,182**	**1,083,289**	**35,780,250**
Error corrections	—	—	—	—	—	—	1	1	59,196
Change to or within the financial reporting entity	—	—	—	—	—	—	—	—	(27,081)
Fund balances – beginning, as restated	**91,252**	**—**	**91,252**	**301,565**	**75,669**	**201,873**	**504,183**	**1,083,290**	**35,812,365**
Fund balances – ending	**$ 97,544**	**$ —**	**$ 97,544**	**$ 335,528**	**$ 37,784**	**$ 105,194**	**$ 637,595**	**$ 1,116,101**	**$ 37,780,153**

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds[1]

Year Ended June 30, 2025

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	$ 252,307	$ 252,307	$ —
Vehicle license fees	11,631,970	11,631,970	—
Personal income tax	2,269,742	2,269,742	—
Retail sales and use taxes	18,904,135	18,904,135	—
Other major taxes and licenses	7,619,827	7,619,827	—
Other revenues	210,678,923	210,678,923	—
Total revenues	**251,356,904**	**251,356,904**	**—**
EXPENDITURES			
Business, consumer services, and housing	1,529,720	1,445,313	(84,407)
Transportation	20,711,257	18,870,877	(1,840,380)
Natural resources and environmental protection	772,619	713,795	(58,824)
Health and human services	226,383,814	222,304,170	(4,079,644)
Corrections and rehabilitation	3,766	3,766	—
Education	576,775	351,756	(225,019)
General government:			
Tax relief	(696)	(696)	—
Other general government	11,553,989	11,075,439	(478,550)
Total expenditures	**261,531,244**	**254,764,420**	**(6,766,824)**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	68,586,982	—
Transfers to other funds	—	(67,096,949)	—
Other additions	—	2,517,941	—
Total other financing sources (uses)	**—**	**4,007,974**	**—**
Excess of revenues and other sources over expenditures and other uses	—	600,458	—
Fund balances – beginning, restated	**—**	**28,787,892**	**—**
Fund balances – ending	**$ —**	**$ 29,388,350**	**$ —**

[1]On 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, the Environmental and Natural Resources 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, and Environmental and Natural Resources 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 3 – 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, 2025

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
ASSETS									
Current assets:									
Cash and pooled investments	$ —	$ 1,557,845	$ 422,581	$ 375,667	$ 10,573	$ 90,983	$ 86,261	$ 1,099,299	$ 3,643,209
Restricted assets:									
Cash and pooled investments	837,967	—	—	—	—	—	—	—	837,967
Contracts and installments receivable	647,398	—	—	—	—	—	—	—	647,398
Receivables (net)	—	1,212	2,435	4,018	—	5,694	11,727	52,284	77,370
Due from other funds	213,882	43,207	97,496	3,948	—	97,984	243,927	177,969	878,413
Due from other governments	—	—	2,140	128	—	7,310	—	15,851	25,429
Prepaid items	—	15,014	213,926	1,809	—	2,714	3,273	119	236,855
Inventories	—	—	23,692	48,809	—	—	783	17,046	90,330
Total current assets	1,699,247	1,617,278	762,270	434,379	10,573	204,685	345,971	1,362,568	6,436,971
Noncurrent assets:									
Restricted assets:									
Cash and pooled investments	89,989	—	—	—	—	—	—	—	89,989
Contracts and installments receivable	7,973,725	—	—	—	—	—	—	—	7,973,725
Receivables (net)	—	—	1,385	—	—	—	—	4,457	5,842
Interfund receivables	—	—	—	—	—	1,742	—	38,440	40,182
Loans receivable	—	—	—	—	—	33	—	3,869	3,902
Long-term prepaid charges	81	—	—	—	—	—	—	—	81
Capital assets:									
Land	—	—	—	—	—	—	—	2,080	2,080
Buildings and other depreciable property	—	211	183,872	231,194	2,977	148,939	35,540	77,939	680,672
Intangible assets - amortizable	—	—	206,263	14,837	349,281	41,743	12,176	131,936	756,236
Less: accumulated depreciation/amortization	—	(211)	(190,132)	(189,341)	(91,605)	(141,900)	(45,196)	(137,705)	(796,090)
Construction/development in progress	2,828,069	—	—	315	—	—	—	1,260	2,829,644
Total noncurrent assets	10,891,864	—	201,388	57,005	260,653	50,557	2,520	122,276	11,586,263
Total assets	**12,591,111**	**1,617,278**	**963,658**	**491,384**	**271,226**	**255,242**	**348,491**	**1,484,844**	**18,023,234**
DEFERRED OUTFLOWS OF RESOURCES	73,486	684	268,513	73,832	—	91,523	—	230,271	738,309
Total assets and deferred outflows of resources	**$ 12,664,597**	**$ 1,617,962**	**$ 1,232,171**	**$ 565,216**	**$ 271,226**	**$ 346,765**	**$ 348,491**	**$ 1,715,115**	**$ 18,761,543**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2025

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
LIABILITIES									
Current liabilities:									
Accounts payable	$ 35,215	$ 16	$ 40,714	$ 1,712	$ —	$ 61,902	$ 39,196	$ 481,994	$ 660,749
Due to other funds	29,896	52,986	62,380	13,433	—	752	1,332	632,543	793,322
Due to other governments	15,602	—	5,394	—	—	614	4,665	6,339	32,614
Revenues received in advance	—	1,562,727	16,117	2,783	—	—	2,537	74,771	1,658,935
Deposits	—	—	1,149	—	—	—	—	—	1,149
Contracts and notes payable	—	—	261	—	—	4,342	14,762	—	19,365
Interest payable	109,364	—	—	—	—	—	—	—	109,364
Current portion of long-term obligations	682,189	197	71,227	4,224	—	24,263	—	56,623	838,723
Other current liabilities	16,812	—	13	12,307	—	—	91	—	29,223
Total current liabilities	889,078	1,615,926	197,255	34,459	—	91,873	62,583	1,252,270	4,143,444
Noncurrent liabilities:									
Interfund payables	2,552,340	450	14,712	—	—	307	298,150	—	2,865,959
Compensated absences payable	—	325	83,057	17,008	—	27,277	—	68,883	196,550
Workers' compensation benefits payable	—	201	26,255	21,969	—	56	—	1,544	50,025
Lease liability	—	—	134,574	—	—	11,753	—	48,490	194,817
Subscription liability	—	—	—	—	—	3,763	—	5,401	9,164
Revenue bonds payable	9,004,064	—	—	—	—	—	—	—	9,004,064
Net other postemployment benefits liability	—	632	768,039	260,309	—	274,355	—	474,226	1,777,561
Net pension liability	—	2,177	495,307	72,001	—	101,946	—	534,631	1,206,062
Other noncurrent liabilities	—	—	—	—	—	3,563	708	—	4,271
Total noncurrent liabilities	11,556,404	3,785	1,521,944	371,287	—	423,020	298,858	1,133,175	15,308,473
Total liabilities	**12,445,482**	**1,619,711**	**1,719,199**	**405,746**	**—**	**514,893**	**361,441**	**2,385,445**	**19,451,917**
DEFERRED INFLOWS OF RESOURCES	74,829	127	135,051	56,554	—	49,158	—	87,036	402,755
Total liabilities and deferred inflows of resources	**12,520,311**	**1,619,838**	**1,854,250**	**462,300**	**—**	**564,051**	**361,441**	**2,472,481**	**19,854,672**
NET POSITION									
Net investment in capital assets	—	—	200,004	57,005	260,652	25,544	—	58,163	601,368
Restricted – expendable:									
Construction	144,286	—	—	—	—	—	—	—	144,286
Total expendable	144,286	—	—	—	—	—	—	—	144,286
Unrestricted	—	(1,876)	(822,083)	45,911	10,574	(242,830)	(12,950)	(815,529)	(1,838,783)
Total net position (deficit)	**144,286**	**(1,876)**	**(622,079)**	**102,916**	**271,226**	**(217,286)**	**(12,950)**	**(757,366)**	**(1,093,129)**
Total liabilities, deferred inflows of resources, and net position	**$ 12,664,597**	**$ 1,617,962**	**$ 1,232,171**	**$ 565,216**	**$ 271,226**	**$ 346,765**	**$ 348,491**	**$ 1,715,115**	**$ 18,761,543**

(concluded)

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

Internal Service Funds

Year Ended June 30, 2025

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
OPERATING REVENUES									
Services and sales	$ —	$ 534,050	$ 905,169	$ 316,686	$ —	$ 642,540	$ 761,098	$ 1,695,255	$ 4,854,798
Investment and interest	52,316	—	—	—	—	—	—	—	52,316
Rent	325,226	—	950	—	—	—	—	220	326,396
Total operating revenues	**377,542**	**534,050**	**906,119**	**316,686**	**—**	**642,540**	**761,098**	**1,695,475**	**5,233,510**
OPERATING EXPENSES									
Personal services	—	4,618	444,518	128,917	—	133,250	—	342,139	1,053,442
Supplies	—	—	—	5,939	—	—	19,591	—	25,530
Services and charges	7,735	531,520	509,219	212,355	(38)	451,451	735,185	1,084,795	3,532,222
Depreciation	—	—	32,475	25,062	28,876	20,146	3,252	24,870	134,681
Interest expense	376,555	—	—	—	—	511	—	—	377,066
Total operating expenses	**384,290**	**536,138**	**986,212**	**372,273**	**28,838**	**605,358**	**758,028**	**1,451,804**	**5,122,941**
Operating income (loss)	(6,748)	(2,088)	(80,093)	(55,587)	(28,838)	37,182	3,070	243,671	110,569
NONOPERATING REVENUES (EXPENSES)									
Investment and interest income (loss)	—	—	51	2,076	—	2,503	—	6,403	11,033
Interest expense and fiscal charges	—	—	(2,916)	40	—	(601)	—	(3,571)	(7,048)
Other	7,887	—	—	3,741	—	(1)	—	—	11,627
Total nonoperating revenues (expenses)	**7,887**	**—**	**(2,865)**	**5,857**	**—**	**1,901**	**—**	**2,832**	**15,612**
Income (loss) before transfers	1,139	(2,088)	(82,958)	(49,730)	(28,838)	39,083	3,070	246,503	126,181
Transfers in	—	—	77,754	—	37,650	5,514	—	5,500	126,418
Transfers out	—	—	—	—	—	(15,000)	(1,692)	(40,143)	(56,835)
Change in net position	1,139	(2,088)	(5,204)	(49,730)	8,812	29,597	1,378	211,860	195,764
Total net position (deficit) – beginning, as previously reported	**137,319**	**704**	**(569,623)**	**152,646**	**262,332**	**(242,228)**	**(14,328)**	**(909,631)**	**(1,182,809)**
Error corrections	5,828	—	(850)	—	82	1,607	—	(297)	6,370
Changes in accounting principle	—	(492)	(46,402)	—	—	(6,262)	—	(59,298)	(112,454)
Total net position (deficit) – beginning, as restated	**143,147**	**212**	**(616,875)**	**152,646**	**262,414**	**(246,883)**	**(14,328)**	**(969,226)**	**(1,288,893)**
Total net position (deficit) – ending	**$ 144,286**	**$ (1,876)**	**$ (622,079)**	**$ 102,916**	**$ 271,226**	**$ (217,286)**	**$ (12,950)**	**$ (757,366)**	**$ (1,093,129)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2025

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	$ 11,743	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 11,743
Receipts from interfund services provided	929,768	388,145	1,023,500	315,785	—	612,721	725,914	1,557,408	5,553,241
Payments to suppliers	(10,409)	(531,519)	(564,998)	(204,027)	(2)	(427,323)	(760,831)	(1,065,330)	(3,564,439)
Payments to employees	—	(2,293)	(402,727)	(134,096)	—	(143,188)	—	(366,873)	(1,049,177)
Payments for interfund services used	—	—	—	(21,488)	—	—	—	(53,789)	(75,277)
Other receipts (payments)	(385,118)	—	3,674	3,517	—	(17,986)	897	3,599	(391,417)
Net cash provided by (used in) operating activities	**545,984**	**(145,667)**	**59,449**	**(40,309)**	**(2)**	**24,224**	**(34,020)**	**75,015**	**484,674**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Receipts from / (payment on) interfund receivables	—	—	—	(57)	—	(909)	—	1,675	709
Proceeds from / (payment on) loans and interfund borrowings	(157,379)	(294)	(2,184)	—	(37,650)	(147)	—	—	(197,654)
Interest received	—	—	—	40	—	—	—	(14)	26
Transfers in	3,621	—	77,754	—	37,650	5,514	—	5,500	130,039
Transfers out	—	—	—	—	—	(15,000)	(1,692)	(40,143)	(56,835)
Net cash provided by (used in) noncapital financing activities	**(153,758)**	**(294)**	**75,570**	**(17)**	**—**	**(10,542)**	**(1,692)**	**(32,982)**	**(123,715)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition of capital assets	(1,075,262)	—	(107,418)	(14,854)	—	(30,275)	(804)	(14,964)	(1,243,577)
Proceeds from sale of capital assets	—	—	95,155	715	—	4,832	—	2,023	102,725
Proceeds from long-term capital financing	—	—	—	—	—	15,603	—	738	16,341
Payment on long-term capital financing	—	—	(17,423)	—	—	—	—	(10,144)	(27,567)
Proceeds from revenue bonds	1,940,416	—	—	—	—	—	—	—	1,940,416
Retirement of revenue bonds	(1,432,590)	—	—	—	—	—	—	—	(1,432,590)
Interest paid	—	—	(2,916)	—	—	(601)	—	(3,557)	(7,074)
Net cash used in capital and related financing activities	**(567,436)**	**—**	**(32,602)**	**(14,139)**	**—**	**(10,441)**	**(804)**	**(25,904)**	**(651,326)**
CASH FLOWS FROM INVESTING ACTIVITIES									
Earnings on investments	—	—	51	2,076	—	2,503	—	6,403	11,033
Net cash provided by investing activities	**—**	**—**	**51**	**2,076**	**—**	**2,503**	**—**	**6,403**	**11,033**
Net increase (decrease) in cash and pooled investments	(175,210)	(145,961)	102,468	(52,389)	(2)	5,744	(36,516)	22,532	(279,334)
Cash and pooled investments – beginning	**1,103,166**	**1,703,806**	**320,113**	**428,056**	**10,575**	**85,239**	**122,777**	**1,076,767**	**4,850,499**
Cash and pooled investments – ending	**$ 927,956**	**$ 1,557,845**	**$ 422,581**	**$ 375,667**	**$ 10,573**	**$ 90,983**	**$ 86,261**	**$ 1,099,299**	**$ 4,571,165**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2025

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Operating income (loss)	$ (6,748)	$ (2,088)	$ (80,093)	$ (55,588)	$ (28,838)	$ 37,182	$ 3,069	$ 243,671	$ 110,567
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation	—	—	32,475	25,062	28,876	20,146	3,252	24,870	134,681
Amortization of premiums and discounts	(123,057)	—	—	—	—	—	—	—	(123,057)
Amortization of long-term prepaid charges	29	—	—	—	—	—	—	—	29
Other	5,730	—	—	3,517	—	—	—	—	9,247
Change in account balances:									
Receivables	—	1,390	1,727	(1,818)	—	(1,261)	(10,818)	8,863	(1,917)
Due from other funds	—	(1,796)	121,228	1,445	—	(30,927)	(28,865)	(121,306)	(60,221)
Due from other governments	(5,241)	—	(326)	103	—	(4,286)	—	2,332	(7,418)
Prepaid items	—	—	(44,016)	(720)	—	(2,077)	623	1,344	(44,846)
Inventories	—	—	1,983	2,869	—	—	(79)	1,141	5,914
Contracts and installments receivable	624,949	—	—	—	—	—	—	—	624,949
Leases receivable	—	—	—	—	—	—	—	165	165
Deferred outflow of resources	—	(684)	40,778	4,111	—	(1,287)	—	65,616	108,534
Accounts payable	(56)	1	(13,746)	(2,921)	(40)	26,716	(6,598)	16,980	20,336
Due to other funds	42,157	(116,089)	(5,498)	(3,253)	—	2,368	4,306	(61,960)	(137,969)
Due to other governments	—	—	4,629	—	—	(836)	4,649	1,267	9,709
Contracts and notes payable	—	—	(633)	—	—	(7,329)	(1,486)	—	(9,448)
Interest payable	3,673	—	—	—	—	—	—	—	3,673
Revenues received in advance	2,003	(29,410)	(76)	(600)	—	—	194	(17,617)	(45,506)
Other current liabilities	2,545	—	4	(921)	—	—	73	—	1,701
Compensated absences payable	—	30	675	(572)	—	(4,378)	—	1,363	(2,882)
Other noncurrent liabilities	—	2,852	40,473	6,067	—	6,125	(2,340)	(54,489)	(1,312)
Deferred inflow of resources	—	127	(40,135)	(17,090)	—	(15,932)	—	(37,225)	(110,255)
Total adjustments	552,732	(143,579)	139,542	15,279	28,836	(12,958)	(37,089)	(168,656)	374,107
Net cash provided by (used in) operating activities	**$ 545,984**	**$ (145,667)**	**$ 59,449**	**$ (40,309)**	**$ (2)**	**$ 24,224**	**$ (34,020)**	**$ 75,015**	**$ 484,674**
									(concluded)
Noncash investing, capital, and financing activities									
Change / transfer of capital assets	1,874,889	—	—	—	—	—	—	—	1,874,889
Miscellaneous noncash activities transactions	—	—	—	40	—	—	—	—	40

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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, 2025

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
ASSETS						
Current assets:						
Cash and pooled investments	$ 555,678	$ 184,969	$ 359,244	$ 2,169	$ 256,284	$ 1,358,344
Restricted assets:						
Cash and pooled investments	293,570	53,468	—	73,648	—	420,686
Due from other governments	215,008	19,091	—	—	—	234,099
Receivables (net)	—	6,599	37,106	107,732	639	152,076
Due from other funds	12,401	13,019	4,064	—	2,941	32,425
Due from other governments	57,464	50,985	—	—	143	108,592
Prepaid items	—	—	—	—	40	40
Inventories	—	—	—	—	8,610	8,610
Total current assets	1,134,121	328,131	400,414	183,549	268,657	2,314,872
Noncurrent assets:						
Restricted assets:						
Loans receivable	4,998,880	659,787	—	—	—	5,658,667
Investments	—	—	15,115	—	—	15,115
Interfund receivables	1,668	—	—	—	2,093	3,761
Loans receivable	1,140,721	1,733,980	1,100,547	—	54,140	4,029,388
Capital assets:						
Land	—	—	444	—	829	1,273
Buildings and other depreciable property	—	—	16,260	—	11,249	27,509
Intangible assets - amortizable	—	—	—	872	24,596	25,468
Less: accumulated depreciation/amortization	—	—	(16,260)	(194)	(16,066)	(32,520)
Other noncurrent assets	—	—	9,218	—	—	9,218
Total noncurrent assets	6,141,269	2,393,767	1,125,324	678	76,841	9,737,879
Total assets	**7,275,390**	**2,721,898**	**1,525,738**	**184,227**	**345,498**	**12,052,751**
DEFERRED OUTFLOWS OF RESOURCES	—	—	4,077	4,791	12,738	21,606
Total assets and deferred outflows of resources	**$ 7,275,390**	**$ 2,721,898**	**$ 1,529,815**	**$ 189,018**	**$ 358,236**	**$ 12,074,357**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2025

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
LIABILITIES						
Current liabilities:						
Accounts payable	$ —	$ —	$ —	$ 35,639	$ 4,209	$ 39,848
Due to other funds	3,205	10,987	1,175	—	680	16,047
Due to other governments	—	—	147	—	1,359	1,506
Revenues received in advance	—	—	—	—	24	24
Interest payable	17,910	636	19,727	—	—	38,273
Current portion of long-term obligations	115,438	7,657	24,445	298	5,780	153,618
Total current liabilities	136,553	19,280	45,494	35,937	12,052	249,316
Noncurrent liabilities:						
Interfund payables	—	—	—	—	28,520	28,520
Compensated absences payable	1,935	6,510	—	312	5,585	14,342
Workers' compensation benefits payable	—	—	—	—	4,496	4,496
Lease liability	—	—	—	459	16,006	16,465
Subscription liability	—	—	—	24	—	24
General obligation bonds payable	—	—	900,922	—	—	900,922
Revenue bonds payable	1,562,479	48,790	420,703	—	—	2,031,972
Net other postemployment benefits liability	—	—	7,178	5,971	27,794	40,943
Net pension liability	—	—	10,802	4,660	22,836	38,298
Other noncurrent liabilities	—	—	3,727	—	—	3,727
Total noncurrent liabilities	1,564,414	55,300	1,343,332	11,426	105,237	3,079,709
Total liabilities	**1,700,967**	**74,580**	**1,388,826**	**47,363**	**117,289**	**3,329,025**
DEFERRED INFLOWS OF RESOURCES	—	—	1,377	27,147	5,487	34,011
Total liabilities and deferred inflows of resources	**1,700,967**	**74,580**	**1,390,203**	**74,510**	**122,776**	**3,363,036**
NET POSITION						
Net investment in capital assets	—	—	444	—	1,300	1,744
Restricted – expendable						
Debt service	293,570	—	—	—	—	293,570
Security for revenue bonds	3,518,061	—	—	—	—	3,518,061
Other purposes	—	2,647,318	139,168	114,508	167,947	3,068,941
Total expendable	3,811,631	2,647,318	139,168	114,508	167,947	6,880,572
Unrestricted	1,762,792	—	—	—	66,213	1,829,005
Total net position	**5,574,423**	**2,647,318**	**139,612**	**114,508**	**235,460**	**8,711,321**
Total liabilities, deferred inflows of resources, and net position	**$ 7,275,390**	**$ 2,721,898**	**$ 1,529,815**	**$ 189,018**	**$ 358,236**	**$ 12,074,357**

(concluded)

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

Nonmajor Enterprise Funds

Year Ended June 30, 2025

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
OPERATING REVENUES						
Services and sales	$ 11,445	$ —	$ 2,322	$ 792	$ 117,955	$ 132,514
Investment and interest	65,519	28,857	71,717	—	2,924	169,017
Other	—	—	2,935	—	1,774	4,709
Total operating revenues	**76,964**	**28,857**	**76,974**	**792**	**122,653**	**306,240**
OPERATING EXPENSES						
Personal services	9,503	31,389	4,981	(399)	30,789	76,263
Supplies	—	—	—	—	76,784	76,784
Services and charges	7,212	—	16,778	6,048	21,984	52,022
Depreciation	—	—	—	178	2,605	2,783
Interest expense	—	—	39,960	—	—	39,960
Other	4,548	13,210	—	—	—	17,758
Total operating expenses	**21,263**	**44,599**	**61,719**	**5,827**	**132,162**	**265,570**
Operating income (loss)	55,701	(15,742)	15,255	(5,035)	(9,509)	40,670
NONOPERATING REVENUES (EXPENSES)						
Donations and grants	329,503	235,382	—	—	—	564,885
Investment and interest income (loss)	38,787	8,208	—	2,788	6,159	55,942
Interest expense and fiscal charges	(53,389)	(1,319)	—	(1,000)	(55)	(55,763)
Other	—	—	1,370	(4,954)	225	(3,359)
Total nonoperating revenues (expenses)	**314,901**	**242,271**	**1,370**	**(3,166)**	**6,329**	**561,705**
Income (loss) before capital contributions and transfers	370,602	226,529	16,625	(8,201)	(3,180)	602,375
Change in net position	370,602	226,529	16,625	(8,201)	(3,180)	602,375
Total net position – beginning, as previously reported	**5,205,153**	**2,425,864**	**122,987**	**123,108**	**237,787**	**8,114,899**
Changes in accounting principle	(1,332)	(5,075)	—	(399)	853	(5,953)
Total net position (deficit) – beginning, as restated	**5,203,821**	**2,420,789**	**122,987**	**122,709**	**238,640**	**8,108,946**
Total net position – ending	**$ 5,574,423**	**$ 2,647,318**	**$ 139,612**	**$ 114,508**	**$ 235,460**	**$ 8,711,321**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2025

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/employers	$ 65,780	$ 28,631	$ 169,691	$ —	$ 17,880	$ 281,982
Receipts from interfund services provided	—	—	—	792	107,335	108,127
Payments to suppliers	(19,721)	—	(21,886)	(1,309)	(112,776)	(155,692)
Payments to employees	—	(41,638)	(4,981)	(3,913)	(25,112)	(75,644)
Payments for interfund services used	(37)	—	—	—	(467)	(504)
Other receipts (payments)	(452,869)	(157,599)	(285,929)	9,555	(4,498)	(891,340)
Net cash provided by (used in) operating activities	**(406,847)**	**(170,606)**	**(143,105)**	**5,125**	**(17,638)**	**(733,071)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Receipts from / (payment on) notes receivable and leases receivable	1,140	—	—	—	(1,816)	(676)
Proceeds from / (payment on) loans and interfund borrowings	—	—	—	—	800	800
Proceeds from general obligation bonds	—	—	300,000	—	—	300,000
Retirement of general obligation bonds	—	—	(35,385)	—	—	(35,385)
Proceeds from revenue bonds	—	—	80,000	—	—	80,000
Retirement of revenue bonds	(96,645)	(6,395)	(36,140)	—	—	(139,180)
Interest paid	(75,069)	(2,830)	(32)	—	—	(77,931)
Transfers in	—	—	—	—	223	223
Grants received	328,564	233,856	—	—	—	562,420
Net cash provided by (used in) noncapital financing activities	**157,990**	**224,631**	**308,443**	**—**	**(793)**	**690,271**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	—	—	—	—	(2,248)	(2,248)
Proceeds from sale of capital assets	—	—	—	—	352	352
Payment on long-term capital financing	—	—	—	(215)	(1,622)	(1,837)
Interest paid	—	—	—	—	(54)	(54)
Net cash used in capital and related financing activities	**—**	**—**	**—**	**(215)**	**(3,572)**	**(3,787)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	—	—	(1,016)	—	—	(1,016)
Earnings on investments	41,744	7,813	—	2,785	6,159	58,501
Net cash provided by (used in) investing activities	**41,744**	**7,813**	**(1,016)**	**2,785**	**6,159**	**57,485**
Net increase (decrease) in cash and pooled investments	(207,113)	61,838	164,322	7,695	(15,844)	10,898
Cash and pooled investments – beginning	**1,056,361**	**176,599**	**194,922**	**68,122**	**272,128**	**1,768,132**
Cash and pooled investments – ending	**$ 849,248**	**$ 238,437**	**$ 359,244**	**$ 75,817**	**$ 256,284**	**$ 1,779,030**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2025

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 55,701	$ (15,742)	$ 15,255	$ (5,035)	$ (9,509)	$ 40,670
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	—	—	—	178	2,605	2,783
Provisions and allowances	—	—	(702)	—	—	(702)
Amortization of premiums and discounts	—	—	(1,770)	—	—	(1,770)
Other	(9,588)	—	94	8,555	—	(939)
Change in account balances:						
Receivables	—	—	(5,783)	—	(48)	(5,831)
Due from other funds	(37)	—	—	—	2,570	2,533
Due from other governments	(1,444)	(226)	—	—	(73)	(1,743)
Prepaid items	—	—	—	—	(28)	(28)
Inventories	—	—	—	—	671	671
Leases receivable	—	—	—	—	(13,260)	(13,260)
Other current assets	—	—	(1,540)	—	1	(1,539)
Loans receivable	(453,021)	(157,599)	(139,366)	—	—	(749,986)
Deferred outflow of resources	—	—	—	2,471	6,259	8,730
Accounts payable	—	—	215	210	(3,357)	(2,932)
Due to other funds	939	1,526	(1,554)	—	(399)	512
Due to other governments	—	—	—	—	1,336	1,336
Interest payable	—	—	(4,308)	—	—	(4,308)
Revenues received in advance	—	—	—	—	(2)	(2)
Compensated absences payable	603	1,435	—	(399)	(221)	1,418
Other noncurrent liabilities	—	—	(2,081)	(799)	(2,703)	(5,583)
Deferred inflow of resources	—	—	(1,565)	(56)	(1,480)	(3,101)
Total adjustments	(462,548)	(154,864)	(158,360)	10,160	(8,129)	(773,741)
Net cash provided by (used in) operating activities	**$ (406,847)**	**$ (170,606)**	**$ (143,105)**	**$ 5,125**	**$ (17,638)**	**$ (733,071)**
						(concluded)
Noncash investing, capital, and financing activities						
Miscellaneous noncash activities	$ —	$ —	$ 3,406	$ —	$ —	$ 3,406

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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, with the exclusion of eligible Roth 457 contributions and earnings, which are protected from income tax during distribution.

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, 2025

(amounts in thousands)

	Defined Benefit			Pension Plans		Defined Benefit OPEB Plan			
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation	Other Pension and Other Employee Benefit Trust	Total
ASSETS									
Cash and pooled investments	$ 4,548,563	$ 315,522	$ 5,000	$ 4,808	$ 2,003	$ 19,334	$ 24,462	$ 15,092	4,934,784
Investments, at fair value:									
Short-term	19,517,725	16,998,037	65,416	289	14	62,264	1,964,936	16,049	38,624,730
Equity securities	225,676,209	148,774,287	—	2,013,979	18,902	17,766,047	19,200,767	68,745	413,518,936
Debt securities	187,124,506	57,731,782	—	954,070	72,143	7,364,366	3,106,314	42,628	256,395,809
Real estate	74,476,098	43,438,843	—	—	—	—	—	—	117,914,941
Securities lending collateral	8,824,622	38,703,628	—	—	—	—	—	—	47,528,250
Other	124,790,224	108,878,257	—	—	—	—	7,391,241	—	241,059,722
Total investments	640,409,384	414,524,834	65,416	2,968,338	91,059	25,192,677	31,663,258	127,422	1,115,042,388
Receivables (net)	53,565,956	6,669,338	1,211	13,710	101	125,735	57,686	9,319	60,443,056
Due from other funds	43,281	833	186	98	2	244	69	18	44,731
Due from other governments	—	119	—	—	—	—	—	—	119
Loans receivable	—	6,293,936	—	—	—	—	9,426	—	6,303,362
Other assets	196,956	889,221	—	—	—	—	3	—	1,086,180
Total assets	**698,764,140**	**428,693,803**	**71,813**	**2,986,954**	**93,165**	**25,337,990**	**31,754,904**	**151,851**	**1,187,854,620**
DEFERRED OUTFLOWS OF RESOURCES	174,929	139,537	802	922	251	1,621	1,507	378	319,947
Total assets and deferred outflows of resources	**698,939,069**	**428,833,340**	**72,615**	**2,987,876**	**93,416**	**25,339,611**	**31,756,411**	**152,229**	**1,188,174,567**
LIABILITIES									
Accounts payable	12,118	6,888,945	280	445	109	1,734	1,849	8,889	6,914,369
Benefits payable	2,925,698	2,174,267	—	—	633	111,166	2,406	435	5,214,605
Securities lending obligations	26,113,443	38,734,051	—	—	—	—	—	—	64,847,494
Loans payable	—	6,251,450	—	—	—	—	—	—	6,251,450
Other liabilities	106,791,758	4,375,089	7,791	7,671	1,592	11,953	15,166	2,837	111,213,857
Total liabilities	**135,843,017**	**58,423,802**	**8,071**	**8,116**	**2,334**	**124,853**	**19,421**	**12,161**	**194,441,775**
DEFERRED INFLOWS OF RESOURCES	120,251	229,348	543	630	128	1,514	1,861	809	355,084
Total liabilities and deferred inflows of resources	**135,963,268**	**58,653,150**	**8,614**	**8,746**	**2,462**	**126,367**	**21,282**	**12,970**	**194,796,859**
NET POSITION									
Restricted:									
Pension benefits	562,975,801	370,180,190	64,001	2,979,130	90,954	—	—	126,976	936,417,052
Other postemployment benefits	—	—	—	—	—	25,213,244	—	—	25,213,244
Deferred compensation participants	—	—	—	—	—	—	31,735,129	—	31,735,129
Individuals, organizations, or other governments	—	—	—	—	—	—	—	12,283	12,283
Total net position	**$ 562,975,801**	**$ 370,180,190**	**$ 64,001**	**$ 2,979,130**	**$ 90,954**	**$ 25,213,244**	**$ 31,735,129**	**$ 139,259**	**$ 993,377,708**

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, 2025

(amounts in thousands)

	Defined Benefit			Pension Plans		Defined Benefit OPEB Plan			
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation	Other Pension and Other Employee Benefit Trust	Total
ADDITIONS									
Contributions:									
Employer	$ 23,421,228	$ 8,759,346	$ 218,682	$ 101,531	$ 75	$ 5,755,686	$ 4,266	$ 22,023	$ 38,282,837
Plan member	6,801,588	4,847,178	1,274	45,898	—	—	1,237,578	50,738	12,984,254
Non-employer	—	4,263,762	—	—	—	—	—	—	4,263,762
Total contributions	30,222,816	17,870,286	219,956	147,429	75	5,755,686	1,241,844	72,761	55,530,853
Investment income:									
Net appreciation in fair value of investments	54,961,815	23,925,016	—	308,378	6,555	2,605,076	3,282,021	12,707	85,101,568
Interest, dividends, and other investment income	9,397,036	9,868,910	3,584	537	18	4,803	69,339	456	19,344,683
Less: investment expense	(2,878,396)	(2,241,141)	(8)	(1,435)	(121)	(10,225)	(999)	(113)	(5,132,438)
Net investment income	61,480,455	31,552,785	3,576	307,480	6,452	2,599,654	3,350,361	13,050	99,313,813
Other	8,472	376,490	3,136	—	—	16,873	29,578	57	434,606
Total additions	**91,711,743**	**49,799,561**	**226,668**	**454,909**	**6,527**	**8,372,213**	**4,621,783**	**85,868**	**155,279,272**
DEDUCTIONS									
Distributions paid and payable to participants	34,602,108	19,912,609	211,739	105,931	7,336	4,093,013	186,988	69,962	59,189,686
Refunds of contributions	393,145	147,829	—	589	—	—	2,396	—	543,959
Administrative expense	363,655	259,297	2,562	2,909	712	6,786	31,687	636	668,244
Interest expense	—	317,312	—	—	—	—	2	1	317,315
Payments to and for depositors	—	—	—	—	—	46,434	797,007	6,666	850,107
Total deductions	**35,358,908**	**20,637,047**	**214,301**	**109,429**	**8,048**	**4,146,233**	**1,018,080**	**77,265**	**61,569,311**
Change in net position	56,352,835	29,162,514	12,367	345,480	(1,521)	4,225,980	3,603,703	8,603	93,709,961
Net position – beginning, as previously reported	**506,622,966**	**341,017,676**	**51,634**	**2,633,650**	**92,475**	**20,987,264**	**28,131,426**	**130,656**	**899,667,747**
Net position – ending	**$ 562,975,801**	**$ 370,180,190**	**$ 64,001**	**$ 2,979,130**	**$ 90,954**	**$ 25,213,244**	**$ 31,735,129**	**$ 139,259**	**$ 993,377,708**

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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 **CalSavers Retirement Savings Trust Program Fund** accounts for money received from California private employees to provide greater retirement savings in a convenient, voluntary, low-cost, and portable manner.

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, 2025

(amounts in thousands)

	Scholarshare Program Trust	Calsavers Retirement Savings Trust Fund	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS					
Cash and pooled investments	$ 9,672	$ —	$ 108,472	$ 34,207	$ 152,351
Investments, at fair value:					
Short-term	312,614	—	—	—	312,614
Equity securities	11,102,739	15,695	—	87,998	11,206,432
Debt securities	3,238,151	2,251	—	48,276	3,288,678
Real estate	366,447	—	—	—	366,447
Other	2,730,035	1,324,037	—	67,593	4,121,665
Total investments	17,749,986	1,341,983	—	203,867	19,295,836
Receivables (net)	3,488	26	3,107	1,475	8,096
Other assets	—	—	428,501	98	428,599
Total assets	**17,763,146**	**1,342,009**	**540,080**	**239,647**	**19,884,882**
LIABILITIES					
Accounts payable	14,448	322	2,030	4,102	20,902
Revenues received in advance	—	—	—	6,473	6,473
Deposits	—	—	428,501	—	428,501
Total liabilities	**14,448**	**322**	**430,531**	**10,575**	**455,876**
NET POSITION					
Restricted for individuals, organizations, or other governments	**$ 17,748,698**	**$ 1,341,687**	**$ 109,549**	**$ 229,072**	**$ 19,429,006**

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2025

(amounts in thousands)

	Scholarshare Program Trust	Calsavers Retirement Savings Trust Fund	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS					
Investment income:					
Net appreciation in fair value of investments	$ —	$ 121,997	$ —	$ —	$ 121,997
Interest, dividends, and other investment income	1,762,806	28,566	—	16,438	$ 1,807,810
Less: investment expense	(3,365)	(14,245)	—	—	(17,610)
Net investment income (loss)	1,759,441	136,318	—	16,438	1,912,197
Receipts from depositors	3,018,182	437,214	1,695,663	73,472	5,224,531
Total additions	**4,777,623**	**573,532**	**1,695,663**	**89,910**	**7,136,728**
DEDUCTIONS					
Administrative expense	—	—	—	1,010	1,010
Payments to and for depositors	2,609,813	172,330	1,654,384	37,390	4,473,917
Total deductions	**2,609,813**	**172,330**	**1,654,384**	**38,400**	**4,474,927**
Change in net position	2,167,810	401,202	41,279	51,510	2,661,801
Net position – beginning, as previously reported	**15,580,888**	**—**	**68,270**	**1,090,966**	**16,740,124**
Change to or within the financial reporting entity	—	940,485	—	(913,404)	27,081
Net position – beginning, as restated	**$ 15,580,888**	**$ 940,485**	**$ 68,270**	**$ 177,562**	**$ 16,767,205**
Net position – ending	**$ 17,748,698**	**$ 1,341,687**	**$ 109,549**	**$ 229,072**	**$ 19,429,006**

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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, 2025

(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ASSETS			
Cash and pooled investments	$ 24,489,218	$ 683	$ 24,489,901
Investments, at fair value:			
Short-term	—	1,196	1,196
Equity securities	—	148,826	148,826
Debt securities	—	162,799	162,799
Total investments	—	312,821	312,821
Receivables (net)	262,197	41	262,238
Total assets	**24,751,415**	**313,545**	**25,064,960**
DEFERRED OUTFLOWS OF RESOURCES	—	11	11
Total assets and deferred outflows of resources	**24,751,415**	**313,556**	**25,064,971**
LIABILITIES			
Accounts payable	13	69	82
Due to other governments	261,735	—	261,735
Other liabilities	—	103	103
Total liabilities	**261,748**	**172**	**261,920**
DEFERRED INFLOWS OF RESOURCES	—	56	56
Total liabilities and deferred inflows of resources	**261,748**	**228**	**261,976**
NET POSITION			
Restricted:			
Pension and other postemployment benefits	—	313,328	313,328
Pool participants	24,489,667	—	24,489,667
Total net position	**$ 24,489,667**	**$ 313,328**	**$ 24,802,995**

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

Year Ended June 30, 2025

(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ADDITIONS			
Contributions:			
Employer	$ —	$ 54,238	$ 54,238
Total contributions	—	54,238	54,238
Investment income:			
Net appreciation in fair value of investments	—	26,759	26,759
Interest, dividends, and other investment income	978,631	71	978,702
Less: investment expense	—	(227)	(227)
Net investment income	978,631	26,603	1,005,234
Receipts from depositors	18,006,954	—	18,006,954
Other	—	650	650
Total additions	**18,985,585**	**81,491**	**19,067,076**
DEDUCTIONS			
Distributions paid and payable to participants	976,310	—	976,310
Administrative expense	2,323	190	2,513
Payments to and for depositors	15,491,516	31,105	15,522,621
Total deductions	**16,470,149**	**31,295**	**16,501,444**
Change in net position	2,515,436	50,196	2,565,632
Net position – beginning, as previously reported	**21,974,231**	**263,132**	**22,237,363**
Net position – ending	**$ 24,489,667**	**$ 313,328**	**$ 24,802,995**

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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, 2024.

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 College of the Law, San Francisco; 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, 2025

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
ASSETS					
Current assets:					
Cash and pooled investments	$ 13,811	$ 735,196	$ 181,241	$ 1,150,883	$ 2,081,131
Investments	—	955,738	—	—	955,738
Restricted assets:					
Cash and pooled investments	1,170,672	—	14,365	92,300	1,277,337
Investments	207,750	—	3,208	—	210,958
Receivables (net)	313,784	496,682	16,160	43,874	870,500
Due from primary government	80	—	—	—	80
Prepaid items	—	—	1,266	648	1,914
Other current assets	—	46,280	4,710	—	50,990
Total current assets	1,706,097	2,233,896	220,950	1,287,705	5,448,648
Noncurrent assets:					
Restricted assets:					
Cash and pooled investments	—	33,858	—	—	33,858
Investments	242,096	—	4,336	—	246,432
Investments	—	3,643,275	—	150,970	3,794,245
Receivables (net)	—	692,676	—	5,837	698,513
Loans receivable	580,822	—	—	—	580,822
Long-term prepaid charges	—	—	—	89	89
Capital assets:					
Land	—	178,931	34,507	5,247	218,685
Collections - nondepreciable	—	12,966	—	435	13,401
Buildings and other depreciable property	9	1,480,657	872,182	478,278	2,831,126
Intangible assets - amortizable	—	347,170	—	3,924	351,094
Less: accumulated depreciation/amortization	(9)	(809,937)	(615,724)	(74,553)	(1,500,223)
Construction/development in progress	—	65,240	61,734	53,512	180,486
Intangible assets - nonamortizable	—	202	—	116	318
Other noncurrent assets	—	60,670	—	11,150	71,820
Total noncurrent assets	822,918	5,705,708	357,035	635,005	7,520,666
Total assets	**2,529,015**	**7,939,604**	**577,985**	**1,922,710**	**12,969,314**
DEFERRED OUTFLOWS OF RESOURCES	16,398	49,504	37,710	20,620	124,232
Total assets and deferred outflows of resources	**$ 2,545,413**	**$ 7,989,108**	**$ 615,695**	**$ 1,943,330**	**$ 13,093,546**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2025

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ 482,124	$ 175,381	$ 22,498	$ 936,725	$ 1,616,728
Revenues received in advance	1,496	187,052	7,680	4,636	200,864
Deposits	—	—	1,510	26	1,536
Contracts and notes payable	—	60,912	—	—	60,912
Interest payable	2,529	—	396	—	2,925
Current portion of long-term obligations	18,084	114,540	2,149	5,823	140,596
Other current liabilities	47,624	167,154	5,253	192,183	412,214
Total current liabilities	551,857	705,039	39,486	1,139,393	2,435,775
Noncurrent liabilities:					
Compensated absences payable	592	12,253	7,861	6,605	27,311
Workers' compensation benefits payable	—	4,705	—	—	4,705
Loans payable	—	—	11,354	—	11,354
Commercial paper and other borrowings	—	121,400	—	—	121,400
Lease liability	—	176,761	—	130	176,891
Subscription liability	—	2,866	—	695	3,561
Revenue bonds payable	348,750	54,448	30,257	422,390	855,845
Net other postemployment benefits liability	11,242	68,107	17,167	63,464	159,980
Net pension liability	10,402	119,617	89,935	49,508	269,462
Revenues received in advance	—	—	17,360	—	17,360
Other noncurrent liabilities	127,733	663,232	23,301	21,857	836,123
Total noncurrent liabilities	498,719	1,223,389	197,235	564,649	2,483,992
Total liabilities	**1,050,576**	**1,928,428**	**236,721**	**1,704,042**	**4,919,767**
DEFERRED INFLOWS OF RESOURCES	3,326	453,151	28,465	48,583	533,525
Total liabilities and deferred inflows of resources	**1,053,902**	**2,381,579**	**265,186**	**1,752,625**	**5,453,292**
NET POSITION					
Net investment in capital assets	—	495,509	298,804	59,915	854,228
Restricted:					
Nonexpendable - endowments	—	2,153,510	—	31,349	2,184,859
Expendable:					
Endowments and gifts	—	—	—	45,785	45,785
Education	—	1,774,148	—	—	1,774,148
Statute	1,486,228	—	—	—	1,486,228
Other purposes	5,167	—	22,731	59,364	87,262
Total expendable	1,491,395	1,774,148	22,731	105,149	3,393,423
Unrestricted	116	1,184,362	28,974	(5,708)	1,207,744
Total net position	**1,491,511**	**5,607,529**	**350,509**	**190,705**	**7,640,254**
Total liabilities, deferred inflows of resources, and net position	**$ 2,545,413**	**$ 7,989,108**	**$ 615,695**	**$ 1,943,330**	**$ 13,093,546**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2025

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
OPERATING EXPENSES					
Personal services	$ 22,829	$ 562,389	$ 140,554	$ 45,995	$ 771,767
Scholarships and fellowships	—	120,441	—	6,943	127,384
Supplies	—	—	—	22,814	22,814
Services and charges	11,992	1,745,639	173,051	35,316	1,965,998
Depreciation	—	87,581	24,011	9,650	121,242
Interest expense	10,884	26,123	1,604	20,588	59,199
Other	—	83,410	(8,364)	7,146	82,192
Total operating expenses	**45,705**	**2,625,583**	**330,856**	**148,452**	**3,150,596**
PROGRAM REVENUES					
Charges for services	3,559	558,669	322,776	74,146	959,150
Operating grants and contributions	268,634	1,106,663	—	32,589	1,407,886
Capital grants and contributions	—	28,695	—	—	28,695
Total program revenues	**272,193**	**1,694,027**	**322,776**	**106,735**	**2,395,731**
Net revenues (expenses)	226,488	(931,556)	(8,080)	(41,717)	(754,865)
GENERAL REVENUES					
Investment and interest income (loss)	79,126	465,293	916	55,644	600,979
Other	2,766	959,926	9,554	31,780	1,004,026
Total general revenues	**81,892**	**1,425,219**	**10,470**	**87,424**	**1,605,005**
Change in net position	308,380	493,663	2,390	45,707	850,140
Net position – beginning, as previously reported	**1,183,329**	**5,119,104**	**348,119**	**148,688**	**6,799,240**
Error corrections	—	3,896	—	—	3,896
Changes in accounting principle	(198)	(9,134)	—	(3,690)	(13,022)
Net position – beginning, as restated	**1,183,131**	**5,113,866**	**348,119**	**144,998**	**6,790,114**
Net position – ending	**$ 1,491,511**	**$ 5,607,529**	**$ 350,509**	**$ 190,705**	**$ 7,640,254**

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)

	2016[2]	2017	2018	2019[3]	2020	2021	2022	2023	2024	2025[4]
Governmental activities										
Net investment in capital assets	$ 104,596,917	$ 107,042,274	$ 109,614,321	$ 112,279,950	$ 116,773,259	$ 120,745,220	$ 125,862,983	$ 131,322,297	$ 134,088,866	$ 137,255,696
Restricted – Expendable	29,060,971	33,832,232	35,053,202	41,371,805	46,670,678	46,362,528	60,482,461	66,645,014	68,517,000	63,849,498
Unrestricted[1]	(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)	(174,427,918)	(221,863,616)	(218,243,000)	(168,171,253)	(163,244,415)
Total governmental activities net position (deficit)	**$ (34,884,973)**	**$ (28,625,177)**	**$ (68,648,510)**	**$ (54,725,510)**	**$ (44,524,586)**	**$ (7,320,170)**	**$ (35,518,172)**	**$ (20,275,689)**	**$ 34,434,613**	**$ 37,860,779**
Business-type activities										
Net investment in capital assets	$ 2,520,621	$ 2,295,270	$ 2,469,723	$ 2,534,257	$ 2,907,066	$ 2,677,917	$ 3,340,905	$ 3,538,034	$ 3,867,059	$ 4,014,699
Restricted – Nonexpendable	8,653	1,746	1,708	1,693	1,677	1,663	1,641	1,595	1,612	1,605
Restricted – Expendable	5,750,634	6,307,218	12,083,737	12,945,567	7,722,116	7,651,874	10,639,641	9,900,307	8,629,619	10,724,460
Unrestricted	(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)	(52,668,204)	(33,212,073)	(31,107,513)	(32,289,060)	(33,214,502)
Total business-type activities net position (deficit)	**$ 4,572,502**	**$ 7,283,102**	**$ (1,909,405)**	**$ (1,237,343)**	**$ (10,317,752)**	**$ (42,336,750)**	**$ (19,229,886)**	**$ (17,667,577)**	**$ (19,790,770)**	**$ (18,473,738)**
Primary government										
Net investment in capital assets	$ 107,117,538	$ 109,337,544	$ 112,084,044	$ 114,814,207	$ 119,680,325	$ 123,423,137	$ 129,203,888	$ 134,860,331	$ 137,955,925	$ 141,270,395
Restricted – Nonexpendable	8,653	1,746	1,708	1,693	1,677	1,663	1,641	1,595	1,612	1,605
Restricted – Expendable	34,811,605	40,139,450	47,136,939	54,317,372	54,392,794	54,014,402	71,122,102	76,545,321	77,146,619	74,573,958
Unrestricted	(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)	(227,096,122)	(255,075,689)	(249,350,513)	(200,460,313)	(196,458,917)
Total primary government net position (deficit)	**$ (30,312,471)**	**$ (21,342,075)**	**$ (70,557,915)**	**$ (55,962,853)**	**$ (54,842,338)**	**$ (49,656,920)**	**$ (54,748,058)**	**$ (37,943,266)**	**$ 14,643,843**	**$ 19,387,041**

[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 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.

[3]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.

[4]Prior-year adjustments recorded in the current year have not been reflected in the prior-year columns due to the complexity and quantity of adjustments to various accounts. Refer to Note 2 Accounting Changes and Error Corrections for details of current year adjustments.

Schedule of Changes in Net Position

For the Past Ten Fiscal Years
(accrual basis of accounting, amounts in thousands)

	2016	2017	2018[4]	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Expenses										
General government	$ 16,686,037	$ 17,400,482	$ 18,378,216	$ 17,900,629	$ 23,489,012	$ 30,604,918	$ 38,760,471	$ 24,946,231	$ 30,364,857	$ 27,779,495
Education	65,467,497	67,377,805	70,280,444	75,643,779	75,803,990	101,569,505	108,450,558	100,496,652	104,989,072	111,485,163
Health and human services	127,543,288	135,090,171	137,828,737	144,936,676	192,576,208	311,925,505	216,232,017	219,032,287	239,312,614	267,963,925
Natural resources and environmental protection	6,988,442	7,342,079	8,304,162	9,774,290	10,110,777	9,923,185	12,502,619	13,314,762	15,843,903	17,002,436
Business, consumer services, and housing	814,676	1,163,511	1,258,104	2,133,480	2,603,823	2,946,561	7,364,028	5,641,942	4,587,805	4,676,884
Transportation	12,120,820	12,947,296	14,259,461	17,022,071	18,424,746	18,119,697	15,792,836	19,100,099	22,096,992	24,890,406
Corrections and rehabilitation	11,875,294	13,086,499	14,921,295	15,153,502	16,861,994	14,185,645	16,526,318	18,204,561	16,282,066	17,182,052
Interest on long-term debt	4,231,581	4,191,283	4,154,485	3,995,597	3,841,351	3,505,827	3,508,229	3,705,403	3,780,126	3,825,128
Total expenses	**245,727,635**	**258,599,126**	**269,384,904**	**286,560,024**	**343,711,901**	**492,780,843**	**419,137,076**	**404,441,937**	**437,257,435**	**474,805,489**
Program revenues										
Charges for services:										
General government	6,525,736	5,825,533	5,726,900	5,755,165	5,847,276	6,583,975	6,167,925	6,992,729	7,657,849	6,856,175
Education	66,298	74,548	37,147	78,445	49,780	69,727	65,810	111,947	77,886	88,036
Health and human services	10,630,859	11,638,503	12,968,379	13,874,296	13,836,881	12,664,071	11,402,121	14,195,544	16,884,897	20,351,921
Natural resources and environmental protection	4,823,861	3,998,751	6,319,879	6,644,917	5,551,029	6,592,526	8,422,029	8,488,546	10,428,203	8,694,375
Business, consumer services, and housing	823,189	844,445	957,885	1,206,126	1,378,181	1,697,687	1,671,025	1,561,023	1,589,280	1,684,583
Transportation	4,532,300	4,611,244	6,053,140	7,093,122	7,244,317	7,731,094	8,479,493	8,346,084	8,975,999	10,471,329
Corrections and rehabilitation	19,411	17,988	39,887	10,993	14,753	15,776	13,563	11,403	3,415	8,876
Operating grants/contributions	86,628,827	89,497,290	87,812,627	94,501,862	143,670,642	268,258,265	170,662,661	147,291,889	161,736,406	165,057,742
Capital grants/contributions	1,480,351	3,027,780	1,882,595	1,561,483	2,107,963	1,847,263	1,895,160	1,847,186	2,698,882	3,222,765
Total program revenues	**115,530,832**	**119,536,082**	**121,798,439**	**130,726,409**	**179,700,822**	**305,460,384**	**208,779,787**	**188,846,351**	**210,052,817**	**216,435,802**
Total governmental activities net program expenses	**(130,196,803)**	**(139,063,044)**	**(147,586,465)**	**(155,833,615)**	**(164,011,079)**	**(187,320,459)**	**(210,357,289)**	**(215,595,586)**	**(227,204,618)**	**(258,369,687)**
General revenues and other changes in net position										
General revenues:										
Personal income taxes	80,303,076	85,712,013	94,460,551	100,657,551	108,308,455	132,042,516	126,058,884	114,593,854	116,314,391	136,914,382
Sales and use taxes	39,121,061	38,726,332	39,784,494	41,006,121	40,703,239	45,905,984	52,328,196	53,471,988	53,239,701	53,631,984
Corporation taxes	9,213,173	11,128,198	12,608,756	14,625,724	13,180,402	32,108,028	35,850,573	36,685,982	37,466,478	42,314,846
Motor vehicle excise taxes[1]	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519	8,453,232	8,654,176	9,266,839	9,466,839
Insurance taxes	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,992	3,516,612	3,720,620	3,964,555	4,278,061
Managed care organization enrollment tax[2]	—	2,282,313	2,397,531	2,562,919	1,031,357	2,318,011	2,584,077	3,478,815	10,451,644	12,701,905
Other taxes[1]	2,158,874	2,574,456	3,573,848	3,790,987	3,789,610	3,827,360	4,402,939	3,667,941	3,802,735	3,651,215
Investment and interest	131,615	149,135	297,782	706,637	690,169	140,329	788,612	2,596,512	3,286,074	3,290,200
Escheat	304,960	325,755	378,180	447,401	614,394	640,226	660,143	876,112	848,305	969,528
Gain (loss) on early extinguishment of debt[3]	40,516	30,986	—	—	—	—	11,576	22,783	(3,911)	—
Transfers	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)	(3,851,666)	(5,465,790)	(6,047,026)	(4,265,059)	(5,349,759)
Total general revenues and other changes in net position	**137,705,648**	**145,444,193**	**158,596,061**	**170,232,867**	**173,392,737**	**224,230,299**	**229,189,054**	**221,721,757**	**234,371,752**	**261,869,201**
Total governmental activities change in net position	**$ 7,508,845**	**$ 6,381,149**	**$ 11,009,596**	**$ 14,399,252**	**$ 9,381,658**	**$ 36,909,840**	**$ 18,831,765**	**$ 6,126,171**	**$ 7,167,134**	**$ 3,499,514**

(continued)

[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 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 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

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

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years
(accrual basis of accounting, amounts in thousands)

Business-type activities	2016	2017	2018[4]	2019	2020	2021	2022	2023	2024	2025
Expenses										
Electric Power[5]	$ 728,000	$ 945,000	$ 952,000	$ 913,000	$ 905,115	$ 290,411	$ 36,239	$ —	$ —	$ —
Water Resources	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458	1,157,325	1,233,036	1,460,049	1,623,577	1,557,452
State Lottery	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062	8,452,743	8,885,370	9,291,352	9,361,888	8,997,179
Unemployment Programs	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023	55,737,215	14,965,703	15,533,539	18,212,170	21,370,913
California State University[3]	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814	10,391,177	10,778,052	10,877,952	11,867,582	12,923,303
State Water Pollution Control Revolving	11,814	17,112	32,335	49,860	45,288	41,466	35,334	46,948	62,530	74,652
Safe Drinking Water State Revolving[4]	—	—	21,994	19,371	25,007	23,570	24,608	28,052	34,364	45,918
Housing Loan	55,627	62,885	57,088	54,402	53,656	54,540	45,316	50,682	52,440	61,719
Other enterprise programs	84,188	75,397	96,078	109,113	148,450	88,903	165,655	152,586	124,407	143,999
Total expenses	**26,940,479**	**28,504,628**	**31,327,597**	**32,789,740**	**43,241,873**	**76,237,350**	**36,169,313**	**37,441,160**	**41,338,958**	**45,175,135**
Program revenues										
Charges for services:										
Electric Power[5]	728,000	945,000	952,000	913,000	903,000	406,588	124,467	—	—	—
Water Resources	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001	1,125,002	1,295,670	1,531,195	1,657,882	1,581,506
State Lottery	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321	8,395,767	8,785,557	9,250,527	9,345,359	9,004,421
Unemployment Programs	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665	23,903,289	16,288,566	15,303,547	15,701,364	21,672,895
California State University[3]	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307	3,236,482	3,199,357	3,977,056	4,569,374	4,802,019
State Water Pollution Control Revolving	70,245	75,912	86,789	95,703	87,110	73,790	69,695	83,654	106,134	115,751
Safe Drinking Water State Revolving[4]	—	—	22,675	25,762	29,717	26,457	27,377	30,890	36,017	37,065
Housing Loan	53,617	52,842	52,735	60,002	61,990	51,953	45,820	53,383	66,925	78,344
Other enterprise programs	82,029	93,177	86,911	106,687	105,874	107,929	130,837	136,636	142,389	132,617
Operating grants/contributions	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383	3,103,175	4,010,488	2,797,050	3,325,619	3,702,658
Capital grants/contributions	66,914	61,027	—	—	—	—	—	—	—	835
Total program revenues	**27,258,501**	**28,131,791**	**30,512,274**	**29,540,215**	**27,559,368**	**40,430,432**	**33,977,834**	**33,163,938**	**34,951,063**	**41,128,111**
Total business-type activities net program revenues (expenses)	**318,022**	**(372,837)**	**(815,323)**	**(3,249,525)**	**(15,682,505)**	**(35,806,918)**	**(2,191,479)**	**(4,277,222)**	**(6,387,895)**	**(4,047,024)**
Other changes in net position										
Transfers	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068	3,851,666	5,465,790	6,047,026	4,265,059	5,349,759
Total business-type activities change in net position	**3,118,123**	**2,710,600**	**3,524,672**	**681,381**	**(9,719,437)**	**(31,955,252)**	**3,274,311**	**1,769,804**	**(2,122,836)**	**1,302,735**
Total primary government change in net position	**$ 10,626,968**	**$ 9,091,749**	**$ 14,534,268**	**$ 15,080,633**	**$ (337,779)**	**$ 4,954,588**	**$ 22,106,076**	**$ 7,895,975**	**$ 5,044,298**	**$ 4,802,249**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025[1]
General Fund										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved	—	—	—	—	—	—	—	—	—	—
Nonspendable	75,939	103,903	559,644	1,180,575	2,129,227	2,878,611	2,958,319	3,950,919	3,574,494	3,354,122
Restricted	4,044,911	7,429,825	9,807,729	14,834,597	16,709,782	12,928,039	23,251,079	24,830,454	26,028,140	19,463,236
Committed	68,102	180,755	171,020	1,787,142	2,965,662	668,351	4,024,689	4,210,891	2,239,352	2,099,524
Assigned	—	—	—	—	3,080,372	4,938,117	7,290,655	20,714,283	27,722,047	29,421,537
Unassigned	(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557	52,731,990	36,522,416	10,297,141	3,828,732	3,510,175
Total General Fund	**$ 361,728**	**$ 5,810,386**	**$ 12,186,904**	**$ 18,567,882**	**$ 28,501,600**	**$ 74,145,108**	**$ 74,047,158**	**$ 64,003,688**	**$ 63,392,765**	**$ 57,848,594**
All other governmental funds										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	—	—	—	—	—	—	—	—	—	—
Nonspendable	11,188	20,172	69,868	12,760	13,702	10,238	39,130	95,021	41,829	16,235
Restricted	24,885,166	26,233,389	25,051,548	26,329,109	29,796,900	33,282,001	37,132,326	41,637,363	42,352,134	44,241,974
Committed	5,652,478	5,847,879	7,897,362	9,994,978	10,066,141	10,160,675	12,949,069	16,158,684	18,784,979	20,327,838
Assigned	14,622	12,033	26,346	19,247	49,868	45,543	63,457	77,937	82,390	85,892
Unassigned	(1,037)	(15,152)	—	—	(2,474,960)	(8,822,239)	(55,655,634)	(46,430,334)	(1,256,249)	(421,062)
Total all other governmental funds	**$ 30,562,417**	**$ 32,098,321**	**$ 33,045,124**	**$ 36,356,094**	**$ 37,451,651**	**$ 34,676,218**	**$ (5,471,652)**	**$ 11,538,671**	**$ 60,005,083**	**$ 64,250,877**

[1]Prior-year adjustments recorded in the current year have not been reflected in the prior-year columns due to the complexity and quantity of adjustments to various accounts. Refer to Note 2 Accounting Changes and Error Corrections for details of current year adjustments.

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years
(modified accrual basis of accounting, amounts in thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Personal income taxes	$ 79,934,285	$ 85,737,905	$ 94,484,443	$ 96,801,076	$ 111,831,167	$ 132,095,124	$ 125,914,865	$ 114,439,619	$ 116,485,890	$ 136,491,056
Sales and use taxes	39,136,040	38,741,715	39,777,069	41,085,626	40,709,462	45,906,755	52,317,376	53,469,731	53,243,830	53,629,722
Corporation taxes	9,214,173	11,125,198	12,597,928	14,038,348	13,722,735	32,122,361	35,824,715	36,662,999	37,298,102	42,299,552
Motor vehicle excise taxes[1]	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519	8,453,232	8,654,176	9,266,839	9,466,839
Insurance taxes	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,993	3,516,612	3,720,620	3,964,555	4,278,061
Managed care organization enrollment tax[2]	—	2,282,313	2,397,531	2,562,919	1,031,357	2,318,011	2,584,077	3,478,815	10,451,644	12,701,905
Other taxes[1]	2,185,690	2,565,928	3,548,182	3,688,531	3,862,045	4,007,125	4,421,355	3,690,842	3,830,385	3,665,321
Intergovernmental	91,069,753	95,709,784	92,904,469	99,867,750	148,951,650	272,691,880	175,107,421	151,498,528	167,307,839	174,497,419
Licenses and permits	7,612,551	8,113,542	8,761,620	9,186,945	9,256,454	9,999,107	10,126,549	10,733,076	11,102,901	11,493,230
Charges for services	870,142	860,241	975,314	956,032	972,805	1,025,167	1,028,747	1,127,528	1,133,899	1,199,319
Fees and penalties	11,882,699	11,571,934	13,548,471	14,187,698	14,322,983	15,062,529	15,461,639	15,955,991	17,948,226	18,558,145
Investment and interest	232,285	318,502	607,418	1,321,143	1,328,956	626,478	643,594	3,610,075	5,140,098	5,479,021
Escheat	305,394	327,614	382,793	448,756	615,720	644,248	661,698	915,711	898,607	970,990
Other	4,049,789	2,934,157	5,318,739	5,594,587	4,595,386	6,802,576	7,862,830	8,378,244	10,718,697	7,806,495
Total revenues	**255,725,275**	**267,887,275**	**284,738,891**	**300,105,844**	**362,238,899**	**534,400,873**	**443,924,710**	**416,335,955**	**448,791,512**	**482,537,075**
Expenditures										
General government	16,715,892	17,250,720	18,978,389	19,263,146	27,393,107	29,908,484	44,249,597	29,427,864	31,854,563	29,678,916
Education	65,213,542	67,224,796	69,902,627	75,071,188	76,347,719	99,964,095	111,764,166	101,582,047	105,621,065	112,249,848
Health and human services	127,201,314	134,372,094	138,018,275	144,543,589	191,819,998	311,093,756	216,174,091	219,002,631	239,291,354	267,432,702
Natural resources and environmental protection	6,278,363	6,712,838	7,987,878	9,069,777	9,244,813	8,862,649	12,175,743	13,125,620	15,613,435	16,302,677
Business, consumer services, and housing	1,130,213	1,103,694	1,189,365	2,013,409	2,457,248	2,824,462	7,637,467	5,644,310	4,578,734	4,545,183
Transportation	14,814,829	15,007,639	17,169,040	17,893,338	20,025,848	19,623,756	19,491,005	22,118,228	25,653,795	28,663,365
Corrections and rehabilitation	11,450,980	12,276,391	14,665,524	14,055,766	14,680,705	12,598,851	15,689,740	17,279,129	16,932,135	16,179,715
Capital outlay	1,492,442	1,238,700	612,769	287,487	401,066	886,020	682,904	905,327	1,009,313	730,997
Debt service:										
Bond and commercial paper retirement	6,929,866	9,364,550	8,598,856	10,444,825	10,276,581	9,594,575	13,402,490	10,243,562	9,739,972	8,593,649
Interest and fiscal charges	4,057,907	3,986,270	3,961,704	3,971,353	3,856,390	3,650,153	4,126,022	3,756,623	4,028,729	3,911,402
Total expenditures	**255,285,348**	**268,537,692**	**281,084,427**	**296,613,878**	**356,503,475**	**499,006,801**	**445,393,225**	**423,085,341**	**454,323,095**	**488,288,454**
Excess (deficiency) of revenues over (under) expenditures	439,927	(650,417)	3,654,464	3,491,966	5,735,424	35,394,072	(1,468,515)	(6,749,386)	(5,531,583)	(5,751,379)
Other financing sources (uses)										
General obligation bonds and commercial paper issued	4,074,980	4,325,075	5,283,365	3,626,765	5,085,590	5,051,305	4,552,690	6,822,625	6,033,760	4,810,965
Revenue bonds issued	—	—	—	—	500,000	450,000	1,050,000	—	—	—
Refunding/remarketing debt issued	5,220,320	7,074,225	6,681,855	5,683,865	4,384,895	3,657,445	10,011,411	3,701,890	3,511,780	3,741,215
Payment to refund/remarket long-term debt	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—	(428,395)	(2,935,087)	(37,408)	—	(787,525)
Premium on bonds issued	1,037,920	1,309,254	1,036,320	1,003,337	1,217,615	1,218,766	1,229,185	679,529	662,745	542,119
Capital leases	1,148,774	988,680	405,930	50,506	24,082	439,180	143,759	370,731	567,830	342,254
Transfers in	4,385,123	4,586,199	4,266,596	4,414,250	5,776,094	6,408,853	7,121,202	8,372,233	10,112,016	10,219,394
Transfers out	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)	(10,249,393)	(12,547,219)	(14,485,271)	(14,379,065)	(15,638,736)
Total other financing sources	**4,358,647**	**7,693,525**	**5,392,268**	**6,069,288**	**5,256,790**	**6,547,761**	**8,625,941**	**5,424,329**	**6,509,066**	**3,229,686**
Total change in fund balance	**$ 4,798,574**	**$ 7,043,108**	**$ 9,046,732**	**$ 9,561,254**	**$ 10,992,214**	**$ 41,941,833**	**$ 7,157,426**	**$ (1,325,057)**	**$ 977,483**	**$ (2,521,693)**
Debt service as a percentage of noncapital expenditures	4.3 %	5.0 %	4.5 %	4.9 %	4.0 %	2.7 %	3.9 %	3.3 %	3.0 %	2.6 %

[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.

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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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personal Income by Industry										
(items restated as footnoted)[1]										
Farm earnings	$ 21,222,250	$ 18,646,282	$ 20,041,415	$ 15,669,285	$ 16,192,419	$ 19,232,309	$ 16,471,966	$ 18,234,034	$ 18,019,745	$ 21,781,364
Forestry, fishing, and other natural resources	9,216,947	9,898,303	10,176,211	10,765,747	11,259,948	12,689,471	12,444,904	12,840,052	13,948,047	14,377,173
Mining	4,963,527	3,753,851	3,216,216	3,717,373	3,427,607	2,838,847	2,645,644	3,290,871	3,188,003	3,281,445
Construction and utilities	88,130,646	93,511,037	102,974,465	112,396,379	120,231,080	117,968,369	121,987,442	128,532,688	131,740,311	138,364,578
Manufacturing	139,414,534	145,528,697	153,661,389	159,126,826	161,840,234	171,293,684	183,662,517	184,853,928	189,260,453	191,610,641
Wholesale trade	70,215,535	70,149,369	73,535,459	71,639,917	72,711,508	73,699,658	76,812,628	83,358,125	86,624,274	89,205,592
Retail trade	84,898,965	84,819,197	87,143,887	90,173,648	92,151,049	93,759,221	103,418,355	105,612,087	109,166,261	111,882,753
Transportation and warehousing	45,945,185	49,332,199	53,670,285	60,511,132	70,688,682	69,688,753	83,398,091	87,500,562	89,390,349	95,124,226
Information, finance, and insurance	174,617,028	190,140,120	206,955,669	218,388,275	229,810,102	252,425,088	297,624,275	277,698,908	285,903,926	308,879,138
Real estate and rental and leasing	51,762,077	54,244,467	55,830,864	60,774,043	69,547,739	72,019,823	77,713,341	71,383,466	71,716,323	74,302,303
Services	552,135,538	574,579,377	604,183,727	640,289,889	680,198,035	679,729,084	763,711,842	810,533,046	845,595,844	899,371,414
Federal, civilian	27,477,720	28,337,175	29,073,247	30,340,685	30,890,265	33,016,293	33,628,940	34,900,835	37,328,194	39,523,559
Military	14,952,018	16,333,621	16,101,002	15,238,777	15,560,927	16,624,100	17,932,558	17,813,959	18,641,999	20,015,917
State and local government	212,528,644	223,593,750	230,997,705	237,580,482	245,254,988	254,577,628	263,233,270	268,138,994	289,115,086	311,587,305
Other[2]	566,525,160	593,930,254	612,061,700	643,820,394	679,511,487	857,804,363	913,293,468	859,767,063	931,555,069	1,005,753,211
Total personal income	**$ 2,064,005,774**	**$ 2,156,797,699**	**$ 2,259,623,241**	**$ 2,370,432,852**	**$ 2,499,276,070**	**$ 2,727,366,691**	**$ 2,967,979,241**	**$ 2,964,458,618**	**$ 3,121,193,884**	**$ 3,325,060,619**
Average effective rate[3]	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.5 %	6.5 %	6.0 %	5.7 %	6.2 %

(continued)

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.

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Taxable Sales by Industry										
Retail and Food Services:										
Motor vehicle and parts dealers	$ 80,346,595	$ 84,225,652	$ 86,983,280	$ 89,696,669	$ 88,526,876	$ 87,847,344	$ 106,686,238	$ 108,863,945	$ 103,274,029	$ 100,974,064
Furniture and home furnishings stores	12,169,888	12,790,041	13,035,340	13,578,685	13,427,029	13,626,241	16,375,319	16,004,779	14,101,249	13,544,401
Electronics and appliance stores	16,349,542	17,120,030	17,170,671	17,520,474	16,999,111	16,926,013	19,232,973	18,833,052	17,469,866	17,611,351
Building materials, garden equipment, and supplies	33,601,538	35,238,333	37,504,347	39,469,798	40,313,948	45,966,216	50,775,894	51,775,096	49,231,753	48,583,641
Food and beverage	27,134,034	27,678,056	28,799,044	29,697,424	30,216,432	32,042,780	33,308,785	34,725,455	34,700,617	35,042,086
Health and personal care stores	12,364,559	13,163,569	13,669,415	14,384,602	15,160,891	15,622,747	17,397,455	17,653,263	17,179,020	16,209,504
Gasoline stations	48,203,175	43,273,182	47,434,923	54,302,232	54,141,178	38,345,721	56,231,375	71,264,403	63,541,643	59,802,626
Clothing and clothing accessories stores	38,438,074	39,698,156	40,206,581	42,233,560	43,130,842	32,500,749	47,599,716	49,393,086	48,703,455	49,169,939
Sporting goods, hobby, book, and music stores	11,341,328	11,441,556	10,900,749	10,467,200	10,407,608	10,110,131	11,776,823	11,389,486	10,803,928	10,491,441
General merchandise stores	53,119,200	53,032,357	54,684,182	56,416,293	58,066,003	57,003,022	66,201,633	69,575,648	67,343,669	67,482,859
Miscellaneous store retailers	19,852,685	19,617,820	19,719,301	20,503,078	20,952,870	20,863,193	24,996,467	26,319,225	25,631,272	25,210,420
Nonstore retailers	9,531,606	11,717,407	13,599,808	15,663,789	20,276,518	53,383,005	60,520,452	64,329,865	69,166,754	71,839,172
Food services and drinking places	73,889,708	78,494,623	82,355,474	85,226,197	89,403,960	63,665,386	87,700,329	102,862,887	108,416,494	111,592,269
All other outlets	202,290,021	206,365,477	211,760,378	217,675,199	231,733,635	218,853,973	263,908,719	308,785,176	306,331,191	302,727,188
Total taxable sales	$ 638,631,953	$ 653,856,259	$ 677,823,493	$ 706,835,200	$ 732,756,901	$ 706,756,521	$ 862,712,178	$ 951,775,366	$ 935,894,940	$ 930,280,961
Direct sales tax rate [1]	6.50%[2]	6.50%	6.00%	6.00%[3]	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

(concluded)

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.

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2016 and 2024

Personal Income Tax Filers and Liability by Income Level[1]

	2016			
	Number of Filers	Percent of Total	Tax Liability[2]	Percent of Total
Under $ 50,000	9,755,695	58.8 %	$ 1,509,949	2.1 %
50,000 to 99,999	3,574,352	21.6	6,119,371	8.6
100,000 to 149,999	1,475,206	8.9	7,079,762	9.9
150,000 to 199,999	709,674	4.3	6,097,561	8.5
200,000 to 299,999	558,663	3.4	8,039,257	11.3
300,000 to 399,999	206,184	1.2	4,802,525	6.7
400,000 to 499,999	97,265	0.6	3,194,414	4.5
500,000 to 599,999	54,106	0.3	2,295,079	3.2
600,000 to 699,999	34,242	0.2	1,788,843	2.5
700,000 to 799,999	23,556	0.1	1,477,139	2.1
800,000 to 899,999	15,838	0.1	1,171,187	1.6
900,000 to 999,999	12,182	0.1	1,032,173	1.4
1,000,000 to 1,999,999	43,561	0.3	5,775,297	8.1
2,000,000 to 2,999,999	10,807	0.1	2,825,340	4.0
3,000,000 to 3,999,999	4,702	—	1,811,273	2.5
4,000,000 to 4,999,999	2,629	—	1,342,549	1.9
$ 5,000,000 and over	7,479	—	15,036,922	21.1
Total	**16,586,141**	**100.0 %**	**$ 71,398,641**	**100.0 %**

	2024			
	Number of Filers	Percent of Total	Tax Liability[2]	Percent of Total
Under $ 50,000	8,041,122	46.2 %	$ 1,078,874	0.9 %
50,000 to 99,999	4,338,206	24.7	6,136,967	5.4
100,000 to 149,999	1,963,511	11.2	8,179,566	7.2
150,000 to 199,999	1,056,637	6.0	8,045,095	7.1
200,000 to 299,999	988,775	5.6	12,915,227	11.3
300,000 to 399,999	411,736	2.3	8,804,270	7.7
400,000 to 499,999	216,797	1.2	6,380,603	5.6
500,000 to 599,999	130,872	0.7	4,962,870	4.4
600,000 to 699,999	86,126	0.5	3,995,227	3.5
700,000 to 799,999	59,489	0.3	3,238,617	2.8
800,000 to 899,999	42,811	0.2	2,714,745	2.4
900,000 to 999,999	31,159	0.2	2,222,165	1.9
1,000,000 to 1,999,999	109,737	0.6	12,052,571	10.6
2,000,000 to 2,999,999	24,378	0.1	5,173,451	4.5
3,000,000 to 3,999,999	10,183	0.1	3,144,140	2.8
4,000,000 to 4,999,999	5,558	—	2,254,937	2.0
$ 5,000,000 and over	15,634	0.1	22,666,997	19.9
Total	**17,532,731**	**100.0 %**	**$ 113,966,322**	**100.0 %**

Source: California Franchise Tax Board

[1]For California resident tax returns. Calendar year 2024 is the most applicable recent year for which data is available.

[2]Amounts are in thousands.

For Calendar Years 2015 and 2024

Sales Tax Permits and Tax Liability by Industry

	2015			
	Number of Permits	Percent of Total	Tax Liability[1]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	35,346	3.2 %	$ 5,222,529	12.6 %
Furniture and home furnishings stores	20,830	1.9	791,043	1.9
Electronics and appliance stores	26,125	2.3	1,062,720	2.6
Building materials, garden equipment, and supplies	18,339	1.6	2,184,100	5.3
Food and beverage	35,072	3.1	1,763,712	4.2
Health and personal care stores	36,119	3.2	803,696	1.9
Gasoline stations	10,045	0.9	3,133,206	7.5
Clothing and clothing accessories stores	104,645	9.4	2,498,475	6.0
Sporting goods, hobby, book, and music stores	36,480	3.3	737,186	1.8
General merchandise stores	26,535	2.4	3,452,748	8.3
Miscellaneous store retailers	188,910	16.9	1,290,425	3.1
Nonstore retailers	51,907	4.7	619,554	1.5
Food services and drinking places	108,961	9.8	4,802,831	11.6
All other outlets	415,252	37.3	13,148,851	31.7
Total	**1,114,566**	**100.0 %**	**$ 41,511,076**	**100.0 %**

	2024			
	Number of Permits	Percent of Total	Tax Liability[1]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	34,665	2.6 %	$ 6,058,444	10.9 %
Furniture and home furnishings stores	16,381	1.2	812,664	1.5
Electronics and appliance stores	17,522	1.3	1,056,681	1.9
Building materials, garden equipment, and supplies	15,582	1.2	2,915,018	5.2
Food and beverage	39,197	2.9	2,102,525	3.8
Health and personal care stores	44,166	3.3	972,570	1.7
Gasoline stations	9,540	0.7	3,588,158	6.4
Clothing and clothing accessories stores	115,969	8.7	2,950,196	5.3
Sporting goods, hobby, book, and music stores	32,885	2.5	629,486	1.1
General merchandise stores	37,243	2.8	4,048,972	7.3
Miscellaneous store retailers	170,758	12.8	1,512,625	2.7
Nonstore retailers	70,429	5.3	4,310,350	7.7
Food services and drinking places	135,653	10.2	6,695,536	12.0
All other outlets	590,111	44.5	18,163,631	32.5
Total	**1,330,101**	**100.0 %**	**$ 55,816,856**	**100.0 %**

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

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

Schedule of Personal Income Tax Rates

For Calendar Years 2015-2024

Married Filing Jointly and Surviving Spouse

Tax Rate[1]	2015 Income Level	2016 Income Level	2017 Income Level	2018 Income Level
1.0	Up to $15,700	Up to $16,030	Up to $16,446	Up to $17,088
2.0	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510
4.0	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938
6.0	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754
8.0	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170
9.3	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984
10.3	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576
11.3	631,733 – 1,000,000	644,999 – 1,000,000	661,769 – 1,000,000	687,577 – 1,000,000
12.3	1,000,001 – 1,052,886	1,000,001 – 1,074,996	1,000,001 – 1,102,946	1,000,001 – 1,145,960
13.3	$1,052,887 and over	$1,074,997 and over	$1,102,947 and over	$1,145,961 and over

Single and Married Filing Separately

Tax Rate[1]	2015 Income Level	2016 Income Level	2017 Income Level	2018 Income Level
1.0	Up to $7,850	Up to $8,015	Up to $8,223	Up to $8,544
2.0	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255
4.0	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969
6.0	29,373 – 40,773	29.990 – 41,629	30,770 – 42,711	31,970 – 44,377
8.0	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085
9.3	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492
10.3	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788
11.3	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980
12.3	526,444 – 1,000,000	537,499 – 1,000,000	551,474 – 1,000,000	572,981 – 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]	2015 Income Level	2016 Income Level	2017 Income Level	2018 Income Level
1.0	Up to $15,710	Up to $16,040	Up to $16,457	Up to $16,457
2.0	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991
4.0	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264
6.0	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206
8.0	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477
9.3	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478– 375,002
10.3	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003
11.3	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003
12.3	715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	750,004 – 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.

Married Filing Jointly and Surviving Spouse

Tax Rate[1]	2019 Income Level	2020 Income Level	2021 Income Level	2022 Income Level	2023 Income Level	2024 Income Level
1.0	Up to $17,618	Up to $17,864	Up to $18,650	Up to $20,198	Up to $20,824	Up to $21,512
2.0	17,619 – 41,766	17,865 – 42,350	18,651 – 44,214	20,199 – 47,884	20,825 – 49,368	21,513 - 50,998
4.0	41,767 – 65,920	42,351 – 66,842	44,215 – 69,784	47,885 – 75,576	49,369 – 77,918	50,999 - 80,490
6.0	65,921 – 91,506	66,843 – 92,788	69,785 – 96,870	75,577 – 104,910	77,919 – 108,162	80,491 - 111,732
8.0	91,507 – 115,648	92,789 – 117,268	96,871 – 122,428	104,911 – 132,590	108,163 – 136,700	111,733 - 141,212
9.3	115,649 – 590,746	117,269 – 599,016	122,429 – 625,372	132,591 – 677,278	136,701 – 698,274	141,213 - 721,318
10.3	590,747 – 708,890	599,017 – 718,814	625,373 – 750,442	677,279 – 812,728	698,275 – 837,922	721,319 - 865,574
11.3	708,891 – 1,000,000	718,815 – 1,000,000	750,443 – 1,000,000	812,729 – 1,000,000	837,923 – 1,000,000	865,575 - 1,000,000
12.3	1,000,001 – 1,181,484	1,000,001 – 1,198,024	1,000,001 – 1,250,738	1,000,001 – 1,354,550	1,000,001 – 1,396,542	1,000,001 - 1,442,628
13.3	$1,181,485 and over	1,198,025 and over	1,250,739 and over	1,354,551 and over	1,396,543 and over	1,442,629 and over

Single and Married Filing Separately

Tax Rate[1]	2019 Income Level	2020 Income Level	2021 Income Level	2022 Income Level	2023 Income Level	2024 Income Level
1.0	Up to $8,809	Up to $8,932	Up to $9,325	Up to $10,099	Up to $10,412	Up to $10,756
2.0	8,810 – 20,883	8,933 – 21,175	9,326 – 22,107	10,099 – 23,942	10,413 – 24,684	10,757 - 25,499
4.0	20,884 – 32,960	21,176 – 33,421	22,108 – 34,892	23,943 – 37,788	24,685 – 38,959	25,500 - 40,245
6.0	32,961 – 45,753	33,422 – 46,394	34,893 – 48,435	37,789 – 52,455	38,960 – 54,081	40,246 - 55,866
8.0	45,754 – 57,824	46,395 – 58,634	48,436 – 61,214	52,456 – 66,295	54,082 – 68,350	55,867 - 70,606
9.3	57,825 – 295,373	58,635 – 295,508	61,215 – 312,686	66,296 – 338,639	68,351 – 349,137	70,607 - 360,659
10.3	295,374 – 354,445	295,509 – 359,407	312,687 – 375,221	338,640 – 406,364	349,138 – 418,961	360,660 - 432,787
11.3	354,446 – 590,742	359,408 – 599,012	375,222 – 625,369	406,365 – 677,275	418,962 – 698,271	432,788 - 721,314
12.3	590,743 – 1,000,000	599,013 – 1,000,000	625,370 – 1,000,000	677,276 – 1,000,000	698,272 – 1,000,000	721,315 - 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	$1,000,001 and over	1,000,001 and over

Head of Household

Tax Rate[1]	2019 Income Level	2020 Income Level	2021 Income Level	2022 Income Level	2023 Income Level	2024 Income Level
1.0	Up to $17,629	Up to $17,876	Up to $18,663	Up to $20,212	Up to $20,839	Up to $21,527
2.0	17,630 – 41,768	17,877 – 42,353	18,664 – 44,217	20,213 – 47,887	20,840 – 49,371	21,528 - 51,000
4.0	41,769 – 53,843	42,354 – 54,597	44,218 – 56,999	47,888 – 61,730	49,372 – 63,765	51,001 - 65,744
6.0	53,844 – 66,636	54,598 – 67,569	57,000 – 70,542	61,731 – 76,397	63,765 – 78,765	65,745 - 81,364
8.0	66,637 – 78,710	67,570 – 79,812	70,543 – 83,324	76,398 – 90,240	78,766 – 93,037	81,365 - 96,107
9.3	78,711 – 401,705	79,813 – 407,329	83,325 – 425,251	90,241 – 460,547	93,038 – 474,824	96,108 - 490,493
10.3	401,706 – 482,047	407,330 – 488,796	425,252 – 510,303	460,548 – 552,658	474,825 – 569,790	490,494 - 588,593
11.3	482,048 – 803,410	488,797 – 814,658	510,304 – 850,503	552,659 – 921,095	569,791 – 949,649	588,594 - 980,987
12.3	803,411 – 1,000,000	814,659 – 1,000,000	850,504 – 1,000,000	921,096 – 1,000,000	949,650 – 1,000,000	980,988 - 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	1,000,001 and over	1,000,001 and over

Average Effective Rate
(amounts in thousands)

	2015	2016	2017	2018
Personal income tax revenue[1]	$ 76,879,115	$ 78,510,777	$ 84,253,851	$ 92,808,996
Adjusted gross income[2]	$ 1,265,341,200	$ 1,318,362,700	$ 1,430,332,000	$ 1,531,670,000
Average effective rate[3]	6.1 %	6.0 %	5.9 %	6.1 %

	2019	2020	2021	2022	2023	2024
Personal income tax revenue[1]	$ 95,026,913	$ 110,352,220	$ 129,514,535	$ 112,736,701	$ 109,539,318	$ 132,909,772
Adjusted gross income[2]	$ 1,596,322,000	$ 1,693,751,000	$ 1,991,347,000	$ 1,883,047,000	$ 1,912,092,000	$ 2,141,281,000
Average effective rate[3]	6.0 %	6.5 %	6.5 %	6.0 %	5.7 %	6.2 %

[1]Personal income tax revenue is reported on a fiscal year basis.
[2]Source: California Franchise Tax Board. Fiscal year 2024 information reflects returns processed as of December 2025.
[3]The average effective rate equals personal income tax revenue divided by adjusted gross income.

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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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
General obligation bonds[1]	$ 79,043,295	$ 79,503,871	$ 79,663,028	$ 78,772,850	$ 78,883,746	$ 78,481,408	$ 77,346,130	$ 78,693,097	$ 79,487,028	$ 79,337,021
Revenue bonds	17,210,499	16,879,900	16,364,255	15,711,660	15,905,264	15,998,239	17,157,391	16,097,912	16,579,772	16,661,896
Certificates of participation and commercial paper[2]	771,215	1,158,080	859,695	1,032,760	1,108,720	1,176,235	1,448,725	1,327,110	1,031,170	1,010,795
Capital lease obligations[5]	370,182	416,468	481,261	434,876	393,089	359,812	—	—	—	—
Lease Liability	—	—	—	—	—	—	2,659,291	2,513,875	2,925,099	2,650,957
Subscription Liability	—	—	—	—	—	—	160,866	136,463	126,804	149,319
Total governmental activities	**97,395,191**	**97,958,319**	**97,368,239**	**95,952,146**	**96,290,819**	**96,015,694**	**98,772,403**	**98,768,457**	**100,149,873**	**99,809,988**
Business-type activities										
General obligation bonds[1]	794,369	703,754	694,100	850,762	788,052	598,384	536,352	675,362	645,984	909,432
Revenue bonds	13,928,374	14,955,858	14,319,372	14,521,460	14,277,362	14,806,645	14,421,501	14,605,513	15,165,379	15,650,302
Commercial paper	47,416	147,765	749,877	799,643	1,049,226	401,219	323,313	401,804	656,727	638,674
Capital lease obligations[5]	389,385	353,453	309,928	315,322	357,072	336,081	—	—	—	—
Lease Liability	—	—	—	—	—	—	332,851	358,448	525,824	561,923
Subscription Liability	—	—	—	—	—	—	95,145	66,804	55,436	103,166
Total business-type activities	**15,159,544**	**16,160,830**	**16,073,277**	**16,487,187**	**16,471,712**	**16,142,329**	**15,709,162**	**16,107,931**	**17,049,350**	**17,863,497**
Total primary government	**$ 112,554,735**	**$ 114,119,149**	**$ 113,441,516**	**$ 112,439,333**	**$ 112,762,531**	**$ 112,158,023**	**$ 114,481,565**	**$ 114,876,388**	**$ 117,199,223**	**$ 117,673,485**
Debt as a percentage of personal income[3]	5.4 %	5.2 %	4.9 %	4.7 %	4.4 %	4.1 %	3.8 %	3.8 %	3.7 %	3.5 %
Amount of debt per capita[4]	$ 2,889	$ 2,909	$ 2,877	$ 2,844	$ 2,851	$ 2,839	$ 2,925	$ 2,942	$ 2,990	$ 2,984

Note: Details regarding the State's outstanding debt can be found in Notes 10, 13, 14, 16, and 17 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]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.

[3]Ratio calculated using personal income data shown on pages 340 and 341 for the prior calendar year.

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

[5]Due to implementation of GASB 87, capital lease obligations are no longer reported.

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net general bonded debt										
General obligation bonds[1]	$ 79,837,664	$ 79,503,871	$ 80,357,128	$ 79,623,612	$ 79,671,798	$ 79,079,792	$ 77,882,481	$ 79,368,459	$ 80,133,012	$ 80,246,453
Economic Recovery bonds	—	—	—	—	—	—	—	—	—	—
Less: restricted debt service fund	—	—	—	—	—	—	—	—	—	—
Net Economic Recovery bonds[2]	—	—	—	—	—	—	—	—	—	—
Net general bonded debt	**$ 79,837,664**	**$ 79,503,871**	**$ 80,357,128**	**$ 79,623,612**	**$ 79,671,798**	**$ 79,079,792**	**$ 77,882,481**	**$ 79,368,459**	**$ 80,133,012**	**$ 80,246,453**
Net general bonded debt as a percentage of personal income[3]	3.8 %	3.6 %	3.5 %	3.3 %	3.1 %	2.9 %	2.6 %	2.6 %	2.5 %	2.4 %
Amount of net general bonded debt per capita[4]	$ 2,049	$ 2,027	$ 2,038	$ 2,014	$ 2,015	$ 2,002	$ 1,990	$ 2,033	$ 2,044	$ 2,035

Note: Details regarding the State's general bonded debt outstanding can be found in Note 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]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 341 and 342 for the prior calendar year.
[4]Amount calculated using population data shown on pages 341 and 342 for the prior calendar year.

Schedule of General Obligation Bonds Outstanding

June 30, 2025
(amounts in thousands)

Governmental activity		
Behavioral Health Infrastructure	$	300,000
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection		1,472,460
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All		1,714,325
California Library Construction and Renovation		182,975
California Park and Recreational Facilities		910
California Safe Drinking Water		10,935
California Stem Cell Research, Treatments, and Cures		1,961,875
California Wildlife, Coastal, and Park Land Conservation		12,530
Children's Hospital		1,575,960
Class-Size Reduction Public Education Facilities		2,531,240
Clean Air and Transportation Improvement		174,440
Clean Water and Water Conservation		485
Clean Water and Water Reclamation		2,385
County Correctional Facility Capital Expenditure and Youth Facility		4,420
Disaster Preparedness and Flood Prevention		2,702,250
Earthquake Safety and Public Buildings Rehabilitation		1,475
Fish and Wildlife Habitat Enhancement		1,700
Higher Education Facilities		39,830
Highway Safety, Traffic Reduction, Air Quality, and Port Security		12,341,970
Housing and Emergency Shelter		847,110
Kindergarten-University Public Education Facilities		27,127,200
New Prison Construction		2,740
Public Education Facilities		399,860
Safe, Clean, Reliable Water Supply		265,225
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		816,415
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		3,135,775
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection		815,245
Safe, Reliable High-Speed Passenger Train		5,878,270
School Building and Earthquake		1,330
School Facilities		50,425
Seismic Retrofit		473,565
State, Urban, and Coastal Park		405
Veterans and Affordable Housing		1,464,710
Veterans Homes		29,455
Veterans Housing and Homeless Prevention		279,540
Voting Modernization		22,375
Water Conservation		3,810
Water Conservation and Water Quality		4,655
Water Quality, Supply, and Infrastructure Improvement		3,322,135
Water Security, Clean Drinking Water, Coastal and Beach Protection		1,899,760
Total governmental activity		**71,872,170**
Business-type activity		
Veterans' Farm and Home Purchase		899,060
Total business-type activity		**899,060**
Total outstanding general obligation bonds		**72,771,230**
Unamortized bond premiums/discounts		7,475,223 *
Total general obligation bonds payable	**$**	**80,246,453**

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] Principal	Interest	Total	Coverage
Housing Loans	2016	$ 53,428	$ 21,916	$ 31,512	$ 381,175	$ 21,525	$ 402,700	0.08
	2017	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2018	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2019	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2020	61,588	15,463	46,125	17,980	11,392	29,372	1.57
	2021	51,953	20,035	31,918	79,140	11,296	90,436	0.35
	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
	2024	66,485	18,134	48,351	31,510	11,109	42,619	1.13
	2025	76,974	21,759	55,215	36,140	14,351	50,491	1.09
Water Resources	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	80,051	297,198	2.10
	2024	1,657,882	933,401	724,481	222,140	121,751	343,891	2.11
	2025	1,581,506	927,004	654,502	237,409	75,644	313,053	2.09
Water Pollution Control	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
	2024	95,602	9,114	86,488	94,250	50,123	144,373	0.60
	2025	104,306	14,051	90,255	96,645	53,389	150,034	0.60

(continued)

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 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.

[6] San Francisco State Building Authority bond was paid off in fiscal year 2021-2022. Oakland State Building Authority and Riverside County Public Financing Authority final debt service payment was made during the year ended June 30, 2023.

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] Principal	Interest	Total	Coverage
Electric Power	2016	$ 728,000	$ (182,000)	$ 910,000	$ 618,000	$ 268,000	$ 886,000	1.03
	2017	945,000	(29,000)	974,000	669,000	253,000	922,000	1.06
	2018	952,000	—	952,000	690,000	215,000	905,000	1.05
	2019	923,000	(5,000)	928,000	719,000	175,000	894,000	1.04
	2020	925,000	(11,000)	936,000	753,000	139,000	892,000	1.05
	2021	299,000	(7,000)	306,000	970,000	109,000	1,079,000	0.28
	2022	311,000	(140,000)	451,000	735,000	48,000	783,000	0.58
	2023	1,000	(1)	1,001	—	—	—	—
	2024	1,000	(1)	1,001	—	1,001	1,001	1.00
	2025	1,000	(399)	1,399	—	1,000	1,000	1.40
Public Buildings Construction	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
	2024	377,632	9,548	368,084	1,186,620	331,936	1,518,556	0.24
	2025	377,542	7,735	369,807	1,432,590	376,555	1,809,145	0.20
California State University	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)
	2024	7,220,812	10,873,915	(3,653,103)	811,184	375,411	1,186,595	(3.08)
	2025	7,939,792	11,837,970	(3,898,178)	968,242	419,731	1,387,973	(2.81)

(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] Principal	Interest	Total	Coverage
Building Authorities [6]	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	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
	2024	392,203	955	391,248	252,750	145,327	398,077	0.98
	2025	369,980	655	369,325	237,495	139,552	377,047	0.98
Grant Anticipation Revenue Vehicles [4,5]	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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Population (in thousands)[1]										
California	38,966	39,223	39,424	39,536	39,548	39,502	39,143	39,041	39,199	39,431
% Change	0.9 %	0.7 %	0.5 %	0.3 %	— %	(0.1)	(0.9)%	(0.3)%	0.4 %	0.6 %
United States	321,829	324,368	326,623	328,542	330,233	331,527	332,049	333,271	336,807	340,111
% Change	0.8 %	0.8 %	0.7 %	0.6 %	0.5 %	0.4 %	0.2 %	0.4 %	1.1 %	1.0 %
Total personal income (in millions)[1]										
California	$ 2,097,050	$ 2,191,138	$ 2,295,049	$ 2,411,055	$ 2,537,951	$ 2,767,521	$ 3,013,677	$ 3,006,647	$ 3,166,135	$ 3,400,237
% Change	6.2 %	4.5 %	4.7 %	5.1 %	5.3 %	9.0 %	8.9 %	(0.2)%	5.3 %	7.4 %
United States	$ 15,467,113	$ 15,884,741	$ 16,658,962	$ 17,514,402	$ 18,343,601	$ 19,609,985	$ 21,392,812	$ 21,820,248	$ 23,380,269	$ 24,897,613
% Change	5.1 %	2.7 %	4.9 %	5.1 %	4.7 %	6.9 %	9.1 %	2.0 %	7.1 %	6.5 %
Per capita personal income[1,2]										
California	$ 53,817	$ 55,863	$ 58,214	$ 60,984	$ 64,174	$ 70,061	$ 76,991	$ 77,013	$ 80,771	$ 86,232
% Change	5.3 %	3.8 %	4.2 %	4.8 %	5.2 %	9.2 %	9.9 %	— %	4.9	6.8 %
United States	$ 48,060	$ 48,971	$ 51,004	$ 53,309	$ 55,547	$ 59,150	$ 64,427	$ 65,473	$ 69,418	$ 73,204
% Change	4.2 %	1.9 %	4.2 %	4.5 %	4.2 %	6.5 %	8.9 %	1.6 %	6.0 %	5.5 %
Labor force and employment (in thousands)										
California										
Civilian labor force	18,996	19,099	19,319	19,534	18,743	18,920	19,234	19,240	19,510	19,771
Employed	17,894	18,141	18,515	18,740	16,104	17,367	18,445	18,325	18,577	18,741
Unemployed	1,102	957	804	794	2,640	1,553	789	914	933	1,030
Unemployment rate	5.8 %	5.0 %	4.2 %	4.1 %	14.1 %	8.2 %	4.1 %	4.8 %	4.8 %	5.2 %
United States unemployment rate	5.3 %	4.9 %	4.3 %	3.9 %	3.7 %	8.1 %	5.3 %	3.6 %	3.6 %	4.0 %

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: Last updated: April 27, 2026 - new statistics for 2025; revised statistics for 2020-2024

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

[2] Calculated by dividing total personal income by population.

Schedule of Employment by Industry

For Calendar Years 2015 and 2024

	2015		2024	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Industry				
Services	7,353,300	44.5 %	8,694,300	47.4 %
Government				
Federal	185,200	1.1	193,000	1.0
Military	59,100	0.4	61,600	0.3
State and Local	2,218,600	13.5	2,429,600	13.2
Retail trade	1,648,300	10.0	1,585,500	8.6
Manufacturing	1,281,700	7.8	1,249,800	6.8
Information, finance, and insurance	1,022,700	6.2	1,031,600	5.6
Construction and utilities	790,800	4.8	981,000	5.3
Wholesale trade	691,100	4.2	657,800	3.6
Transportation and warehousing	502,000	3.0	767,700	4.2
Farming	422,800	2.6	409,100	2.2
Real estate	272,300	1.7	307,400	1.7
Natural resources and mining	26,600	0.2	19,000	0.1
Total	**16,474,500**	**100.0 %**	**18,387,400**	**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
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859

Fiscal Year	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing	Transportation	Corrections and Rehabilitation	Total
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
2024	53,250	173,452	50,803	34,821	7,877	42,737	62,421	425,361
2025	53,974	181,644	51,308	35,969	60,658	8,046	43,076	434,675

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
State Lottery										
Total revenue [1]	$ 6,276	$ 6,233	$ 6,966	$ 7,388	$ 6,622	$ 8,418	$ 8,853	$ 9,239	$ 9,275	$ 8,933
Allocation to Education Fund [1]	$ 1,563	$ 1,499	$ 1,665	$ 1,825	$ 1,437	$ 1,863	$ 2,020	$ 2,257	$ 2,221	$ 1,887
Judicial Council of California										
Supreme Court [2,9]										
Cases filed	8,090	7,325	6,825	6,896	6,485	6,542	5,680	5,490	4,944	5,991
Cases disposed	7,953	6,993	6,726	7,048	6,354	6,314	5,776	5,764	4,825	5,605
Courts of Appeal [9]										
Notices of appeal filed [3]										
Civil	5,935	5,975	6,002	5,697	5,144	4,769	5,390	5,904	6,316	6,524
Criminal	6,714	5,593	5,221	5,577	6,286	4,546	4,321	6,665	7,952	6,515
Juvenile	3,025	3,029	3,068	3,332	2,818	3,223	3,916	3,689	3,504	3,249
Trial Courts [9]										
Total civil cases [4]										
Filings	1,148,205	1,198,076	1,235,568	1,289,017	1,112,225	989,249	1,019,879	1,114,331	886,644	1,414,605
Dispositions	1,031,105	1,039,092	985,039	1,110,908	996,977	572,540	602,481	605,058	619,621	982,614
Department of Food and Agriculture										
Milk production (million lbs.) [5,9]	40,469	39,798	40,404	40,595	41,311	41,861	41,800	40,902	40,283	40,950
Farm land (thousand acres) [5]	24,800	24,500	24,300	24,300	24,300	24,300	24,200	23,800	23,700	40,288
Education										
Public Colleges and Universities										
Fall enrollment [9]										
Community Colleges	1,674,798	1,681,195	1,681,514	1,659,399	1,459,960	1,355,658	1,386,854	1,517,943	1,315,733	271,215
California State University	478,638	484,297	481,210	481,929	485,550	477,466	457,992	454,640	461,612	471,451
University of California	270,112	278,996	286,271	285,216	285,862	294,662	294,309	295,573	299,407	301,093
K-12 Schools										
Fall enrollment [9]										
Public	6,226,737	6,228,235	6,220,413	6,186,278	6,163,001	6,002,523	5,852,544	5,837,690	5,837,700	5,806,221
Private	500,543	490,966	488,854	495,693	488,984	471,653	498,486	516,571	501,650	494,464

(continued)

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 2025 is projected.

N/A = Not Available

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Health and Human Services										
Department of Public Health										
Vital statistics										
Live births [5,10]	488,925	471,806	454,244	446,548	448,758	436,883	437,326	435,328	401,222	394,082
Department of Social Services										
Calfresh programs households (avg. per month)	2,130,583	2,032,818	1,979,526	1,782,500	2,249,323	2,446,529	2,618,623	2,963,047	2,549,135	2,549,135
Employment Development Department										
Number of employed [5,6,9]	16,905,700	17,249,500	17,593,600	17,583,000	16,593,800	17,162,300	18,089,000	18,231,700	N/A	N/A
Resources										
Department of Fish and Wildlife										
Sport fishing licenses sold [5,9]	2,508,490	2,502,863	2,498,077	2,371,800	2,780,352	2,713,545	2,430,559	2,477,182	2,230,443	2,186,907
Hunting licenses sold [5,9]	2,143,146	2,143,026	2,113,888	2,043,323	2,404,425	2,387,932	2,066,134	2,129,959	1,867,070	1,686,636
California Energy Commission										
Electrical energy generation plus net imports (gigawatt hours)	290,797	292,115	285,884	278,177	274,254	281,001	288,010	N/A	N/A	N/A
Business, Consumer Services, and Housing										
Franchise Tax Board										
Personal Income Tax [9]										
Number of tax returns filed	16,586,622	16,888,470	17,101,753	17,530,141	18,381,491	17,978,845	17,475,057	N/A	N/A	N/A
Taxable income [1]	$ 1,159,688	$ 1,259,819	$ 1,357,636	$ 1,412,083	$ 1,519,003	$ 1,842,709	$ 1,690,307	N/A	N/A	N/A
Total tax liability [1]	$ 71,558	$ 79,999	$ 87,168	$ 90,071	$ 103,753	$ 125,851	$ 97,583	N/A	N/A	N/A
Corporation Tax [5,9]										
Number of tax returns filed	900,358	936,211	974,652	1,003,389	1,048,599	1,063,592	1,109,201	N/A	N/A	N/A
Income reported for taxation [1]	$ 129,452	$ 127,290	$ 172,954	$ 191,621	$ 168,413	$ 264,189	$ 255,955	N/A	N/A	N/A
Total tax liability [1]	$ 9,276	$ 8,822	$ 11,625	$ 13,861	$ 15,174	$ 27,754	$ 26,430	N/A	N/A	N/A
Transportation										
California Highway Patrol										
Total number of DUI arrests [5]	63,210	58,894	59,708	66,059	55,692	60,271	57,244	58,764	N/A	N/A
Department of Motor Vehicles										
Motor vehicle registration [5,9]	34,721,195	35,391,347	35,707,821	36,423,657	35,820,417	36,229,205	35,656,590	35,727,841	35,983,261	36,190,654
License issued by age [5,7,9]										
Under age 18	225,569	219,572	213,402	215,084	182,187	205,668	207,465	208,109	N/A	N/A
Between 18-80	25,639,270	26,078,773	26,275,559	26,439,138	26,063,084	26,560,379	26,763,045	26,802,930	N/A	N/A
Over age 80	619,807	659,530	647,831	650,998	624,254	696,062	750,908	754,339	N/A	N/A
Department of Transportation										
Highway center-line miles – rural [5,8,9]	10,259	10,259	10,259	10,511	10,458	10,430	N/A	N/A	N/A	N/A
Highway center-line miles – urban [5,8,9]	4,833	4,833	4,833	4,547	4,564	4,597	N/A	N/A	N/A	N/A
Correctional Programs										
Department of Corrections and Rehabilitation										
Division of Adult Institutions										
Institution population at December 31 each year	129,415	130,263	127,709	124,027	95,432	99,729	91,385	94,188	91,358	90,592
Division of Juvenile Justice										
Institution population at June 30 each year	690	638	629	720	782	677	558	N/A	N/A	N/A

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Department of Food and Agriculture										
Vehicles and mobile equipment	752	677	823	633	780	752	672	672	639	625
Square footage of structures (in thousands)	455	462	384	384	384	394	394	394	394	396
Department of Justice										
Vehicles and mobile equipment	484	511	509	495	485	549	536	536	503	548
Department of Military										
Vehicles and mobile equipment	217	218	261	221	241	212	212	212	222	218
Square footage of structures (in thousands)	3,965	3,954	3,770	3,268	3,254	3,253	3,217	3,191	3,168	3,155
Department of Veterans Affairs										
Veterans homes	8	8	8	8	8	8	8	8	8	8
Vehicles and mobile equipment	235	280	292	247	276	279	278	278	282	283
Square footage of structures (in thousands)	2,541	2,552	2,552	2,536	2,541	2,541	2,541	2,524	2,524	2,524
Education										
California State University										
Vehicles and mobile equipment	4,945	4,838	5,216	5,246	5,397	5,447	5,434	5,467	5,569	5,571
Campuses	23	23	23	23	23	23	23	23	23	23
Square footage of structures (in thousands)	75,292	75,786	76,227	76,969	78,447	79,572	80,271	81,973	83,383	83,439
Health and Human Services										
Department of Developmental Services										
Vehicles and mobile equipment	640	559	616	600	490	418	392	392	340	352
Developmental centers	3	3	3	2	2	2	2	2	6	6
Square footage of structures (in thousands)	3,664	3,664	3,595	3,578	2,321	2,321	2,321	2,321	2,321	2,298
Department of State Hospitals										
Vehicles and mobile equipment	678	674	728	820	969	900	973	973	924	961
State hospitals	8	5	5	5	5	5	5	5	5	5
Square footage of structures (in thousands)	6,445	5,944	5,944	6,425	6,433	6,478	6,485	6,485	6,888	6,822

(continued)

Source: California Department of General Services (DGS).

Note: This schedule presents data available as of June 30, 2025.

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Resources										
Department of Fish and Wildlife										
Vehicles and mobile equipment	3,104	3,126	2,970	3,266	3,334	3,392	3,167	3,167	3,187	3,253
Square footage of structures (in thousands)	1,297	1,322	1,322	1,333	1,333	1,333	1,334	1,333	1,314	1,338
Department of Forestry and Fire Protection										
Vehicles and mobile equipment	3,151	3,073	3,115	3,144	3,090	3,681	3,608	3,608	3,745	3,268
Square footage of structures (in thousands)	3,666	3,677	3,640	3,626	3,654	3,765	3,762	3,775	3,747	3,810
Department of Parks and Recreation										
Vehicles and mobile equipment	3,538	3,542	3,804	3,571	3,794	3,835	3,878	3,878	3,947	3,982
State Parks	280	280	280	280	280	279	280	280	280	280
Acres of state park land (in thousands)	1,605	1,617	1,619	1,618	1,641	1,360	1,643	1,643	1,642	1,642
Square footage of structures (in thousands)	6,790	7,363	7,360	7,544	7,554	7,558	7,429	7,224	7,316	7,238
State Lands Commission										
Vehicles and mobile equipment	41	43	48	42	43	44	43	43	40	35
Acres of land (in thousands)	4,480	4,480	4,480	4,480	4,480	4,480	4,480	4,480	4,480	4,480
Business, Consumer Services, and Housing										
Department of Consumer Affairs										
Vehicles and mobile equipment	588	596	600	622	671	614	612	612	590	576
Department of General Services										
Vehicles and mobile equipment	4,697	4,476	4,465	4,552	4,664	4,838	4,838	4,876	4,440	4,435
Square footage of structures (in thousands)	19,311	19,487	19,565	19,490	20,267	20,285	22,017	22,031	23,565	23,516
Transportation										
California Highway Patrol										
Vehicles and mobile equipment	5,167	5,336	4,912	4,946	4,807	5,656	5,362	5,362	5,654	5,988
Square footage of structures (in thousands)	1,211	1,191	1,182	1,199	1,301	1,302	1,308	1,308	1,292	1,292
Department of Motor Vehicles										
Vehicles and mobile equipment	287	276	283	266	314	308	314	314	321	299
Square footage of structures (in thousands)	1,780	1,777	1,785	1,785	1,785	1,785	1,785	1,785	1,812	1,812
Department of Transportation										
Vehicles and mobile equipment	11,776	11,585	11,494	11,483	11,449	11,416	11,303	11,303	11,957	12,474
Square footage of structures (in thousands)	7,968	7,960	7,933	8,074	8,096	8,365	8,402	8,783	8,998	8,968
Correctional Programs										
Department of Corrections and Rehabilitation										
Vehicles and mobile equipment	5,291	8,079	7,571	7,139	7,312	7,632	8,356	8,356	8,098	7,886
Prisons and juvenile facilities	39	40	39	39	39	38	37	33	31	31
Square footage of structures (in thousands)	40,485	42,198	42,209	42,605	42,936	42,932	42,932	42,940	42,603	42,281

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Office of the State Controller

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

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