PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2025

NEW ISSUES—BOOK-ENTRY ONLY **RATINGS:** (See "RATINGS" herein)

In the opinion of Stradling Yocca Carlson & Rauth LLP ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2025A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, interest on the 2025B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to certain tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA

$585,920,000*
Lease Revenue Bonds
2025 Series A
(Various Capital Projects)

$103,710,000*
Lease Revenue Bonds
(Judicial Council of California)
2025 Series B
(Sacramento County Courthouse)
(Federally Taxable Bonds)

Dated: Date of Delivery **Due: As shown on the page immediately following this cover page**

This Official Statement describes the State Public Works Board of the State of California (the "Board") and its lease revenue bonds captioned above (collectively, the "Bonds"). The Board's Lease Revenue Bonds 2025 Series A (Various Capital Projects) (the "2025A Bonds") and the Board's Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds) (the "2025B Bonds") are each referred to herein as a "Series" of Bonds. Capitalized terms used but not defined on the cover page of this Official Statement have the meanings ascribed herein.

Interest on the Bonds is payable on October 1, 2025 and each April 1 and October 1 thereafter. The Bonds may be purchased in denominations of $5,000 and any integral multiple thereof in book-entry form only. See APPENDIX E — "DTC AND THE BOOK-ENTRY SYSTEM." The Bonds may be redeemed prior to their respective stated maturities as described herein. See "TERMS OF THE 2025A BONDS — Redemption Provisions of the 2025A Bonds" and "TERMS OF THE 2025B BONDS — Redemption Provisions of the 2025B Bonds."

The Bonds are special obligations of the Board, payable solely from certain revenues and other moneys pledged under the Indenture. The Holders of the Bonds will have no claim on the revenues or funds securing any other lease revenue bonds of the Board. No reserve fund has been established for either Series of Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Bonds are Limited Obligations" and "— No Reserve Fund."

THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE STATE OF CALIFORNIA, ANY POLITICAL SUBDIVISION THEREOF, THE BOARD OR ANY PARTICIPATING AGENCY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE BONDS SHALL HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED FOR THE PAYMENT OF AMOUNTS DUE ON THE BONDS. NEITHER THE BOARD NOR ANY PARTICIPATING AGENCY HAS ANY POWER TO PLEDGE THE CREDIT OR TAXING POWER OF THE STATE OF CALIFORNIA OR ANY OF ITS AGENCIES.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES/YIELDS AND CUSIPS
(See the Page Immediately Following This Cover Page)

The Bonds are offered when, as and if issued by the Board and received by the Underwriters, subject to certain conditions, including the approval of validity by the Honorable Rob Bonta, Attorney General of the State of California, by counsel to the Board, and by Stradling Yocca Carlson & Rauth LLP, Bond Counsel to the Board. Certain legal matters will be passed upon for the Participating Agencies by their respective counsel, and for the Underwriters by Hawkins Delafield & Wood LLP. In connection with the issuance of the Bonds, KNN Public Finance, LLC is serving as Municipal Advisor to the State Treasurer. Squire Patton Boggs (US) LLP is serving as Disclosure Counsel to the Board. Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth LLP, are serving as Co-Disclosure Counsel to the State of California regarding Appendix A hereto. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about April 17, 2025.

Honorable Fiona Ma
Treasurer of the State of California

Ramirez & Co., Inc.
(Joint Senior Manager†)

Wells Fargo Corporate & Investment Banking
(Joint Senior Manager‡)

Academy Securities
(Co-Senior Manager)

Amerivet Securities Inc.
Barclays
Caldwell Sutter Capital, Inc.
Jefferies

Baird
BofA Securities
FHN Financial Capital Markets
Piper Sandler & Co.
Rice Financial Products Company

Bancroft Capital, LLC
Cabrera Capital Markets, LLC
Great Pacific Securities
Raymond James

Date of this Official Statement: April __, 2025.

* Preliminary, subject to change.
† Billing and delivery agent for the 2025A Bonds.
‡ Billing and delivery agent for the 2025B Bonds.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES/YIELDS AND CUSIPS*

$______________ 2025A Serial Bonds

Maturity Date (April 1)	*Principal Amount*	*Interest Rate*	*Price/Yield*	*CUSIP*†

$_______ ____% 2025A Term Bonds due April 1, 20__, Price/Yield: __%, CUSIP†:_______

$______________ 2025B Serial Bonds

Maturity Date (April 1)	*Principal Amount*	*Interest Rate*	*Price/Yield*	*CUSIP*†

$_______ ____% 2025B Term Bonds due April 1, 20__, Price/Yield: __%, CUSIP†:_______

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* Preliminary, subject to change.

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The information set forth herein has been obtained from the state, the Board, the Participating Agencies, and from other sources which 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 the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the state, the Board or the Participating Agencies, since the date hereof.

A wide variety of other information, including financial information, concerning the state and the Participating Agencies is available from publications and websites of the state and the Participating Agencies. No such information is a part of or incorporated 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, and information on any such website (or available in another source) that is inconsistent with the information set forth in this Official Statement should be disregarded. 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 Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations 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.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

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.

Certain statements included or incorporated by reference in the following information 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 which may cause actual results, performances or achievements described to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet such forecasts in any way, regardless of the level of optimism communicated in the information. Except as set forth in the continuing disclosure agreement (the form of which is set forth in APPENDIX D), none of the Board, the Participating Agencies, or any other department or agency thereof plans to issue any updates or revisions to such forward-looking statements if or when its expectations are (or are not) realized, or if or when events, conditions or circumstances on which such statements are based occur (or do not occur).

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES HIGHER OR YIELDS LOWER THAN THOSE STATED ON THE PAGE IMMEDIATELY FOLLOWING THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING YIELDS (OR 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.

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

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA

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2025 Series A	**(Judicial Council of California)**
(Various Capital Projects)	**2025 Series B**
	(Sacramento County Courthouse)
	(Federally Taxable Bonds)

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of this Official Statement. A full review should be made of the entire Official Statement, including the cover page and the Appendices. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, the Constitution and laws of the State of California (the "state") or any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions.

This Official Statement describes the State Public Works Board of the State of California (the "Board") and the following two series of bonds to be issued by the Board:

- Lease Revenue Bonds 2025 Series A (Various Capital Projects) (the "2025A Bonds"); and
- Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds) (the "2025B Bonds").

The 2025A Bonds and the 2025B Bonds are each referred to as a "Series" and are together referred to as the "Bonds."

Definitions

Listed below are certain defined terms used in this Official Statement. Capitalized terms not defined under this heading shall have the meanings set forth in this Official Statement, and, if not defined in this Official Statement, then in APPENDIX C. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Definitions."

"Act" means the State Building Construction Act of 1955, being Part 10b of Division 3 of Title 2 of the California Government Code, as amended (commencing at Section 15800).

"Additional Bonds" means all lease revenue bonds of the Board authorized by and at any time Outstanding pursuant to the Indenture which are secured under the Indenture on a parity with any Series of Bonds outstanding under the Indenture.

"Additional Rental" means amounts payable in each year as additional rental payments to or upon the order of the Board to pay all administrative costs and other expenses of the Board under the respective

* Preliminary, subject to change.

Facility Leases and taxes and assessments of any type charged to the Board or the State Treasurer under the respective Facility Leases.

"Annual Report" means the report to be filed not later than April 1 of each year following the issuance of the Bonds containing the information required under the Continuing Disclosure Agreement.

"Base Rental" means all amounts received by the Board as base rental payments payable by a Participating Agency to the Board pursuant to a Facility Lease.

"Beneficial Owner" means any person who has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries).

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement by and among the Board, the Participating Agencies, and the State Treasurer, as trustee acting in the capacity of dissemination agent, executed in connection with the issuance of the Bonds, in the form set forth in APPENDIX D hereto.

"Courthouse" means the Sacramento County Courthouse, as further defined and described herein and in APPENDIX B hereto.

"Dated Date" means the date of delivery of the Bonds.

"DGS" means the Department of General Services of the State of California.

"DGS Project" means the Sacramento Region: Gregory Bateson Building Renovation, as further defined and described herein and in APPENDIX B hereto.

"DTC" means The Depository Trust Company.

"EMMA" means the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.

"Facility" means the 2025A Facility or the 2025AB Facility, as applicable, and "Facilities" means, collectively, the 2025A Facility and the 2025AB Facility.

"Facility Lease" means the 2025A Facility Leases or the 2025AB Facility Lease, as applicable, and "Facility Leases" means, collectively, the 2025A Facility Leases and the 2025AB Facility Lease.

"Holder" means any person who is the registered owner of any Outstanding Bonds.

"Indenture" means the Indenture, dated as of April 1, 2025, by and between the Board and the State Treasurer, as Trustee, relating to the 2025A Bonds and the 2025B Bonds.

"Interest Payment Date" means October 1, 2025 and each April 1 and October 1 thereafter.

"Judicial Council" means the Judicial Council of California.

"Law" means the legislative authorization for the Projects set forth in Appendix B hereto.

"Master Indenture" means the indenture, dated as of April 1, 1994, as amended by the Tenth Supplemental Indenture, dated as of September 1, 1996, the Forty-Second Supplemental Indenture, dated as of October 1, 2002, the Fifty-Second Supplemental Indenture, dated as of October 15, 2004, and the Ninety-Third Supplemental Indenture, dated as of October 12, 2009, each between the Board and the State Treasurer, as trustee, as it may from time to time be amended or supplemented by all supplemental indentures executed pursuant to the provisions thereof.

"Participating Agency" means, with respect to the 2025A Bonds, the 2025A Participating Agencies, and with respect to the 2025B Bonds, the 2025B Participating Agency, and "Participating Agencies" means, collectively, the 2025A Participating Agencies and the 2025B Participating Agency.

"Projects" means, collectively, the 2025A Projects and the 2025B Project. Individually, each is a "Project."

"Rental" means Base Rental and Additional Rental.

"Reserve Fund" means the pooled reserve fund established under the Master Indenture, which secures all bonds issued under the Master Indenture and Incorporated Bonds (as defined in APPENDIX C).

"Site" means the real property upon which a Project is located, and/or the real property related to any Substituted Property leased under a Site Lease, as applicable.

"Site Lease" means a site lease, dated as of April 1, 2025, by and between the Board and a Participating Agency relating to a Site.

"Substituted Property" means any public facility or facilities and real property under the jurisdiction of a Participating Agency substituted for all or any portion of a Facility in accordance with the related Facility Lease, including any and all additions, betterments, extensions and improvements thereto.

"2025A Facility" means a Site and a 2025A Project located on such Site, and "2025A Facilities" means, collectively, each Site upon which a 2025A Project is located, and the respective 2025A Project located on such Site.

"2025A Facility Lease" means a facility lease, dated as of April 1, 2025, by and between the Board and a 2025A Participating Agency relating to a 2025A Facility, which provides for Base Rental payments to be made in respect of the debt service to be paid on the 2025A Bonds.

"2025A Participating Agency" means DGS or the Judicial Council. The term "2025A Participating Agencies" refers to DGS and the Judicial Council, collectively.

"2025A Projects" means, collectively, the DGS Project and the Courthouse. Individually, each is a "2025A Project."

"2025AB Facility" means a Site and the 2025B Project located on such Site.

"2025AB Facility Lease" means a facility lease, dated as of April 1, 2025, by and between the Board and the 2025B Participating Agency relating to the 2025AB Facility, which provides for Base Rental payments to be made in respect of the debt service to be paid on a portion of the 2025A Bonds and in respect of the debt service to be paid on the 2025B Bonds.

"2025B Participating Agency" means the Judicial Council.

"2025B Project" means the Courthouse, as further defined and described herein and in APPENDIX B hereto.

General Authorization; Purpose

The Bonds of each Series are being sold by the State Treasurer as agent for sale on behalf of the Board and are being issued by the Board pursuant to the Act, the Law and the terms of the Indenture. See APPENDIX C hereto for a summary of the Indenture.

2025A Bonds. The 2025A Bonds are being issued by the Board to provide funds (i) to finance and refinance the design and/or construction of all or a portion of the 2025A Projects, including reimbursement of certain interim General Fund loans made to the Board previously used to pay for all or a portion of 2025A Projects costs, (ii) to pay certain capitalized interest on the portion of the 2025A Bonds issued for the Courthouse and (iii) to pay the costs of issuance of the 2025A Bonds. See "THE PROJECTS — The Projects — The 2025A Projects" and APPENDIX B for more detailed information concerning the 2025A Projects.

2025B Bonds. The 2025B Bonds are being issued by the Board to provide funds (i) to finance and refinance the construction of a portion of the Courthouse, including reimbursement of certain interim General Fund loans made to the Board previously used to pay for all or a portion of Courthouse costs, (ii) to pay capitalized interest on the 2025B Bonds and (iii) to pay the costs of issuance of the 2025B Bonds. See "THE PROJECTS — The Projects — The 2025B Project" and APPENDIX B for more detailed information concerning the 2025B Project, which is also one of the 2025A Projects.

The Bonds of both Series are secured equally under the Indenture. A Holder of the 2025A Bonds or the 2025B Bonds will have no claim on the revenues or funds securing any other series of bonds issued by the Board; except to the limited extent described under "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Bonds are Limited Obligations."

Security and General Terms of the Bonds

The Bonds will be secured under the Indenture by a first pledge of Revenues (as defined in APPENDIX C hereto), which consist primarily of the Base Rental to be paid under the terms of the Facility Leases.

The Bonds are also secured by a first pledge of the amounts on deposit in the funds and accounts (except for the Rebate Fund) that are established by the Indenture, as and to the extent set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Pledges under the Indenture."

No reserve fund has been established for either Series of Bonds. The Board has established the Reserve Fund under the Master Indenture, which secures various other series of bonds issued by the Board. Pursuant to the Indenture for the Bonds, following the issuance of the Bonds, the Board may, in its sole discretion, elect to designate the Bonds or any Additional Bonds as Incorporated Bonds to be secured by the Reserve Fund in accordance with the provisions of the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — No Reserve Fund." See also APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Definitions." The Board has no present plans to make such an election with respect to the 2025A Bonds or the 2025B Bonds.

Each Series of Bonds is being issued in the aggregate principal amount shown on the cover page hereof and will mature on the dates and in the amounts shown on the page immediately following the cover page of this Official Statement. Each Series of Bonds may be purchased in denominations of $5,000 and any integral multiple thereof and will be dated the Dated Date. Interest on each Series of Bonds is payable from the Dated Date at the rates set forth on the page immediately following the cover page of this Official

Statement, semiannually on each Interest Payment Date for such Series. Interest on each Series of Bonds is calculated on the basis of a 360-day year composed of twelve 30-day months. The record date for interest payments for a Series is the close of business on the fifteenth day of the calendar month (whether or not a Business Day) next preceding each Interest Payment Date for such Series.

If an Interest Payment Date or other date on which interest or principal on a Series of Bonds is due falls on a day that is not a Business Day, payment shall be made on the next succeeding Business Day and no additional interest shall accrue on such Bonds for the period after the date on which such interest or principal was due. "Business Day" means a day of the year other than a Saturday or Sunday or a day on which state offices or banking institutions located in the state are required or authorized to remain closed. Certain state holidays may fall on days that are not banking holidays and can vary from year to year. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Payments on Business Days Only."

Book-Entry Only Form

Each Series of Bonds will be registered in the name of a nominee of DTC, which will act as securities depository for each Series of Bonds. Beneficial interests in each Series of Bonds may be purchased in book-entry form only, in denominations as set forth above. The principal of and interest on each Series of Bonds will be paid through DTC as described in APPENDIX E hereto.

Information Concerning the State General Fund

Information about the financial condition of the state's General Fund, and other information concerning the state, is provided in APPENDIX A — "THE STATE OF CALIFORNIA." Investors should review the entire APPENDIX A hereto.

Certain Information Related to this Official Statement

The descriptions herein of the Indenture, the Site Leases, the Facility Leases and other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforesaid documents. See APPENDIX C hereto for a summary of the rights and duties of the Board, the rights and remedies of the State Treasurer and the Holders upon an event of default, provisions relating to any amendment of the Indenture, the Site Leases and the Facility Leases and procedures for defeasance of all or a portion of the Bonds.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor 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, the Board or the Participating Agencies since the date hereof.

All financial and other information presented in this Official Statement has been provided by various agencies within the state, including the Participating Agencies, from their records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the state, the Board or the Participating Agencies. 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.

Additional Information

Questions regarding this Official Statement and the sale of the Bonds 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 "SPWB 2025 Series A" or "SPWB 2025 Series B," as applicable, in the email subject line.

THE PROJECTS

The 2025A Bonds and the 2025B Bonds are being issued by the Board to, among other things, provide funds to finance and refinance, on behalf of the Participating Agencies, the design and/or construction of all or a portion of the Projects as discussed further below.

The Projects

The Projects to be financed and refinanced with proceeds of the Bonds consist of the 2025A Projects, which are financed and refinanced in whole or in part with certain proceeds of the 2025A Bonds, and the 2025B Project, which is financed and refinanced in part with certain proceeds of the 2025B Bonds.

The 2025A Projects. The 2025A Projects to be financed and refinanced in whole or in part with proceeds of the 2025A Bonds, and the applicable 2025A Participating Agency for each 2025A Project, are as follows:

- Sacramento Region: Gregory Bateson Building Renovation (DGS)
- Sacramento County Courthouse (Judicial Council)

The Sacramento Region: Gregory Bateson Building Renovation is referred to as the "DGS Project." The Sacramento County Courthouse is referred to as the "Courthouse." The DGS Project and the Courthouse are collectively referred to as "2025A Projects" and, individually, each is a "2025A Project." See APPENDIX B hereto for more detailed information concerning the Participating Agencies for the 2025A Projects and the portion of the 2025A Bonds to be used to finance and refinance each 2025A Project.

The 2025B Project. The "2025B Project" to be financed and refinanced for the Judicial Council in part with proceeds of the 2025B Bonds is the Courthouse (which is also a 2025A Project, as described above). See APPENDIX B hereto for more detailed information concerning the 2025B Project.

Base Rental Payments. The Base Rental due under all Facility Leases will be calculated to be sufficient, collectively, to pay the principal of and interest on the Bonds when due. The scheduled Base Rental payments due under the 2025A Facility Leases related to the DGS Project, the Courthouse, and their related, respective Sites, and a designated portion of the scheduled Base Rental payments under the 2025AB Facility Lease (relating to the Courthouse and its related Site) are calculated, in the aggregate, to be sufficient to pay the principal of and interest on the 2025A Bonds. The Base Rental for each 2025A Facility or the 2025AB Facility, as applicable, will be established, in whole or in part (in the case of the Courthouse and its related Site) based on the expected amount of the costs of the related 2025A Project to be funded with respect to such 2025A Facility or 2025AB Facility, as applicable, with proceeds of the 2025A Bonds.

A designated portion of the scheduled Base Rental payments under the 2025AB Facility Lease (relating to the Courthouse and its related Site) will be calculated to be sufficient to pay the principal of and interest on the 2025B Bonds, and such portion of the Base Rental for the 2025AB Facility will be established based on the expected amount of the costs of the 2025B Project to be funded with respect to such 2025AB Facility with proceeds of the 2025B Bonds.

The DGS Project

The 2025A Bonds are being issued by the Board to, among other things, provide funds to finance and refinance, on behalf of DGS, a portion of the costs of the design and construction of the DGS Project, as discussed further below. See APPENDIX B hereto for more detailed information concerning the DGS Project.

For the DGS Project, DGS will enter into a Site Lease with the Board and lease the Site and existing improvements thereon to the Board. Simultaneously with the execution of such Site Lease, DGS and the Board will enter into a Facility Lease with respect to the DGS Project (the "DGS Facility Lease") pursuant to which the Board will lease the related Site and the DGS Project (together, the "DGS Facility") to DGS, and DGS will agree to make Rental payments (consisting of Base Rental payments and Additional Rental, each as defined herein and in the DGS Facility Lease) to the Board. The scheduled Base Rental payments due under the DGS Facility Lease are calculated to be sufficient to pay the principal of and interest on the portion of the 2025A Bonds issued for the DGS Project.

The DGS Facility was available for use and occupancy in March 2025. Holders of the Bonds have no construction or completion risk associated with the DGS Project.

Pursuant to the substitution provisions of the DGS Facility Lease, from time to time DGS and the Board may substitute Substituted Property for all or a part of the DGS Facility if certain conditions are met. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Substitution of Property."

The Courthouse

For the Courthouse, the Judicial Council will enter into a Site Lease with the Board and lease the related Site and existing improvements thereon to the Board. Simultaneously with the execution of such Site Lease, the Judicial Council and the Board will enter into a Facility Lease with respect to the Courthouse (the "Judicial Council Facility Lease") pursuant to which the Board will lease the related Site and the Courthouse (the "Judicial Council Facility") to the Judicial Council, and the Judicial Council will agree to make Rental payments to the Board. See APPENDIX B hereto for more detailed information concerning the Courthouse. See also "CERTAIN RISK FACTORS — Courthouse Site Environmental Risk."

Pursuant to the substitution provisions of the Judicial Council Facility Lease, from time to time the Judicial Council and the Board may substitute Substituted Property for all or a portion of the Judicial Council Facility if certain conditions are met. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Substitution of Property."

Completion Risks of the Courthouse. The Courthouse is expected to be complete and available for occupancy in June 2025. Accordingly, there are certain completion risks for the Courthouse. See "CERTAIN RISK FACTORS — Completion Risks of the Courthouse." For information regarding the Courthouse and the expected timeline for completion of the Courthouse, see APPENDIX B.

The Judicial Council Facility Lease provides that the obligation of the Judicial Council to make Base Rental payments with respect to the Courthouse is dependent upon substantial completion of the Courthouse and delivery by the Board to the Judicial Council of possession of the Courthouse for its use and occupancy. To lessen this risk, the Board will fund an amount equal to the interest to accrue on the 2025A Bonds and the 2025B Bonds issued to finance and refinance the costs of the Courthouse through and including September 1, 2025, from proceeds of the 2025A Bonds and the 2025B Bonds. If the Board cannot deliver possession of the Courthouse, or any part thereof, by the date to which interest has been capitalized for the Courthouse, Base Rental payments for the Courthouse, or any part thereof, not delivered will be proportionately abated until such time as the Board delivers possession of the Courthouse. There can be no assurance that completion of the Courthouse will not be delayed, preventing the Board from delivering possession of the Courthouse for use and occupancy by the date to which interest is being capitalized.

An abatement of Base Rental is not an event of default, and no remedy is available under any Facility Lease to the Holders of the Bonds for nonpayment under such circumstances. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental."

SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS

Bonds are Limited Obligations

The Bonds of both Series will be secured equally under the Indenture. A Holder of the Bonds will have no claim on the revenues or funds securing any other series of bonds issued by the Board, except, if the Board elects to designate the Bonds of a Series as Incorporated Bonds to be secured by the Reserve Fund in accordance with the provisions of the Master Indenture. The Board has no present intention to designate the 2025A Bonds or the 2025B Bonds as Incorporated Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — No Reserve Fund" below and APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Definitions" and "— Establishment of Funds and Accounts — Reserve Fund." Nothing within this Official Statement is intended to imply that there exists any cross-application or cross-collateralization, including, without limitation, any cross-defaults with any other indenture related to bonds issued by the Board.

The Bonds do not represent or constitute a debt of the state, any political subdivision thereof, the Board or any Participating Agency within the meaning of any constitutional or statutory limitation or a pledge of the full faith and credit of the state or any political subdivision thereof.

The full faith and credit of the state is not pledged, and the General Fund of the state is not liable, for the payment of the principal of, or redemption premium, if any, or interest on the Bonds, and no tax shall ever be levied or collected to pay the principal of, or redemption premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge or lien upon any property of the Board or the state or any of their income or receipts except the Revenues and the related funds and accounts as provided in the Indenture. Neither the payment of the principal nor any part of the principal, nor any interest on the principal, nor redemption premium, if any, constitutes a debt, liability or general obligation of the state. Neither the Board nor any Participating Agency has the power at any time or in any manner to pledge the credit or taxing power of the state or any of its agencies.

Pledges under the Indenture

Revenues. The Bonds are special obligations of the Board issued under and pursuant to the Indenture, payable solely from and secured by a first pledge of Revenues under the Indenture which consist of: (i) all Base Rental payments received by the Board pursuant to each Facility Lease; (ii) amounts deposited in the Interest Account established under the Indenture; and (iii) all other benefits, charges, income, proceeds, profits, receipts, rents, proceeds of insurance and revenues derived by the Board from the ownership, operation or use of each Facility, including interest or profits from the investment of money in any account or fund for such Series of Bonds (other than the Rebate Fund) established pursuant to the Indenture. Except as expressly permitted in the Indenture, the Revenues pledged to the Bonds shall not be used for any other purpose while any of the Bonds of either Series remain Outstanding.

Funds and Accounts. The Bonds are also secured by a first pledge of the amounts on deposit in the funds and accounts (except for the Rebate Fund) related to the Bonds that are established by the Indenture.

Rental Payments

Base Rental and Additional Rental. Pursuant to each Facility Lease, a Participating Agency will lease the related Facility described therein from the Board and will agree to make the Base Rental payments due thereunder. Under the Facility Leases, the Participating Agencies also will agree to make Additional Rental payments sufficient to pay administrative expenses of the Board and certain other costs, including premiums for insurance required thereunder. Each Participating Agency is responsible only for the Base Rental payments due under the Facility Lease executed by it and is not responsible for the Base Rental due from the other Participating Agency. The Base Rental applicable to the Bonds, if paid as scheduled, together with capitalized interest on the Bonds issued for the Courthouse, is calculated, in the aggregate, to be sufficient to pay the principal of and interest on the Bonds.

Budgeting for Rental Payments. Each Participating Agency will covenant in the Facility Lease executed by it to take such action as may be necessary to include, or cause to be included, in that portion of the annual budget of the state related to such Participating Agency sufficient funds to pay to the Board all Rental payments due under such Facility Lease, and to make or cause to be made the necessary annual allocations for such Rental payments. The Indenture provides that, as soon as practical after the beginning of the state's fiscal year, the Board and the State Treasurer shall coordinate and each shall determine whether each Participating Agency has made, or caused to be made, adequate provision in the annual budget of the state for such fiscal year for the payment of all Rental due under each Facility Lease in such fiscal year.

Under the State Constitution, money can be drawn from the State Treasury only through an appropriation made by law. An appropriation may be made in the Budget Act (as defined in APPENDIX A hereto) or in other legislation, each of which must be approved by the State Legislature and signed by the Governor. The annual Budget Act is subject to the power of the Governor to veto specific line items. Budget Act appropriations are generally limited to a one-year period of availability.

Under the state's budget process, any appropriation for Rental payments is to be included in the operating budget of each Participating Agency. These annual appropriations may come from a variety of funding sources, such as the General Fund, special funds and other funds. Funding sources for the operating budget of one Participating Agency may differ from those of the other Participating Agencies and may change over time. See APPENDIX B hereto for more detailed information concerning the respective operating budgets of each Participating Agency.

Section 15849.2 of the Act requires any state agency that has leased or otherwise contracted with the Board for a public building financed by revenue bonds issued by the Board to allocate from the "first lawfully available funds" appropriated to such state agency in each fiscal year that amount necessary to pay in full all amounts which are anticipated to become due and payable during such fiscal year under such lease, including Rental payments. These provisions of the Act are applicable to each Participating Agency and the Rental payments due with respect to the Bonds. The statutory provisions of the Act regarding priority with respect to the allocation of funds have not been interpreted by any court.

Additionally, Section 15848 of the Act provides a continuing appropriation of moneys from the fund in the State Treasury from which each state agency occupying space in a facility derives its appropriation for support when Rental payments are due during a period that the state is operating without funds appropriated by a budget or when the required rental payment amounts have not been included in the budget adopted by the state, provided that the Department of Finance certifies to the State Controller that sufficient funds are available for the support of such state agency for that portion of each facility that has been provided for its use and the facility, or portion thereof, is available for the use and occupancy of the state agency. Each Participating Agency will covenant in the Facility Lease executed by it to take all actions necessary and appropriate to assist in implementing the procedure contained in Section 15848 of the Act for making Rental payments under such Facility Lease if the required Rental payments have not been included in the annual budget adopted by the state or if the state is operating without a budget. The Facility Leases further provide that such covenants shall be deemed and construed to be duties imposed by law and that it shall be the duty of each public official of the respective Participating Agency to take such action and do such things as are necessary by law to enable such Participating Agency to carry out and perform such covenants. The statutory provisions of the Act regarding continuing appropriations have not been interpreted by any court.

The table below sets forth the following information for each of the Participating Agencies: (1) their respective fiscal year 2024-25 annual operating budget; (2) the approximate amount of rental payments to be made in fiscal year 2024-25 under all currently existing facility leases securing lease revenue bonds issued by the Board (excluding Rental payments to be made under the Facility Leases following the issuance of the Bonds); and (3) the aggregate amount of such rental payments stated as an approximate percentage of its fiscal year 2024-25 annual operating budget.

	DGS	**Judicial Council**
2024-25 operating budget *(Dollars in Millions)*[(1)]	$1,370.2	$1,281.5
2024-25 aggregate annual rental *(Dollars in Millions)*	$205.5	$231.6
Aggregate annual rental as a percentage of 2024-25 operating budget	15.0%	18.1%

[(1)] Amounts include some funds designated only for specific program purposes and not available for Rental payments.

For more information regarding the state's budgetary process and finances, see APPENDIX A — "THE STATE OF CALIFORNIA — STATE FINANCES — REVENUES, EXPENDITURES AND RESERVES." See also APPENDIX B — "INFORMATION CONCERNING THE PARTICIPATING AGENCIES AND THEIR RESPECTIVE PROJECTS."

Abatement of Rental

The Rental payments due with respect to a Facility shall be abated proportionately during any period during which (i) by reason of any damage, destruction, condemnation upon an exercise of the power of eminent domain or title defect, there is substantial interference with the use and occupancy of such Facility or any portion thereof, or (ii) with respect to the 2025AB Facility, the Board has not delivered possession of such Judicial Council Facility by the date specified in the 2025AB Facility Lease.

In the event of an abatement of Rental payments due to damage, destruction, partial condemnation, title defect with respect to a Facility or, with respect to the 2025AB Facility, nondelivery, only Rental payments with respect to the portion of such Facility that is damaged, destroyed, condemned (if the remainder is usable), subject to title defect or not delivered may be abated. Such abatement shall continue for the period commencing with such damage, destruction, condemnation, title defect or nondelivery, and ending when use and occupancy are restored, and, with respect to nondelivery of the 2025AB Facility, when such Facility, or a portion thereof, is delivered to the Judicial Council for use and occupancy. A partial condemnation upon an exercise of the power of eminent domain shall be handled as described in the following paragraph.

Each Facility Lease provides that if less than the entire Facility is taken by eminent domain proceedings or sold to a governmental entity threatening to exercise the power of eminent domain and the remainder of any portion of the Facility not taken by eminent domain or sold is usable for purposes substantially similar to those for which it was constructed, then the Facility Lease shall continue in full force and effect as to the remainder of the Facility and (i) if the portion taken is replaced by a facility of equal or greater utility and of equal or greater fair rental value as described in the Facility Lease, the State Treasurer shall disburse the proceeds of such eminent domain proceedings to the party that incurred the expense of making such replacement and there shall not be any abatement of Rental payments under the Facility Lease; or (ii) failing such replacement, there shall be a partial abatement of Rental payments under the Facility Lease and the State Treasurer shall apply such proceeds to redeem or pay the applicable Series of Bonds (and any Additional Bonds) or applicable portion thereof, as described below. See also "TERMS OF THE 2025A BONDS — Redemption Provisions of the 2025A Bonds — Selection of 2025A Bonds for Redemption" and "TERMS OF THE 2025B BONDS — Redemption Provisions of the 2025B Bonds — Selection of 2025B Bonds for Redemption."

If less than the entire Facility shall have been taken by eminent domain proceedings and the remainder is not usable for purposes substantially similar to the purpose for which such Facility was constructed, or if the entire Facility shall have been condemned, then the term of the applicable Facility Lease shall cease as of the day that possession is taken and the State Treasurer is to apply the proceeds of the eminent domain proceedings, together with any other money then available to the State Treasurer for such purpose, for the payment of the principal amount then due or to become due upon the portion of the Outstanding Series of Bonds (and any Additional Bonds issued to finance and refinance the related Project), together with the interest thereon, either by redemption or at maturity. If the eminent domain proceeds, together with any other money then lawfully available to the State Treasurer for such purpose, are insufficient to redeem or pay the principal amount of the Series of Bonds (and any Additional Bonds issued to finance and refinance such Project), by redemption or at maturity and the interest thereon, then the State Treasurer is to apply such proceeds in accordance with the provisions of the Indenture to redeem or pay a portion of such Series of Bonds (and any Additional Bonds).

The remaining Base Rental payments due following an abatement, if any, together with moneys from insurance (in the event of any insured loss due to damage or destruction), including rental interruption insurance and condemnation proceeds, may be insufficient to make all payments of principal of and interest on the applicable Series of Bonds during the period that a Facility is being replaced, repaired or reconstructed. **In such circumstances, all or a portion of such payments of principal of and interest on the Series of Bonds with respect to which an abatement has occurred may not be made. An abatement is not an event of default, and no remedy is available under any Facility Lease or the Indenture to the Holders of the Bonds for nonpayment under such circumstances**. See "CERTAIN RISK FACTORS — Abatement." See also APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE FACILITY LEASES — Rental."

Under each Facility Lease, the applicable Participating Agency and the Board may at any time, including during any period of abatement, in their sole discretion, elect, but are not obligated, to deliver Substituted Property for all or a portion of the Facility pursuant to the requirements of the substitution provisions of the Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Substitution of Property."

Insurance Proceeds

Property Insurance. Each Facility Lease requires the applicable Participating Agency, and the Indenture requires the Board, to maintain or cause to be maintained, throughout the term of each Facility Lease, (A) fire, lightning and extended coverage insurance on the related Facility, which shall be in a form of a commercial property policy in an amount equal to one hundred percent (100%) of the then current replacement cost of the related Facility, excluding the replacement cost of the unimproved real property constituting the Site, and which, with respect to the 2025AB Facility, may initially be in the form of a builder's risk policy providing coverage in an amount not less than the construction costs expended for such Facility, and (B) earthquake insurance if, in the sole discretion of the Board, such insurance is available on the open market from reputable insurance companies at a reasonable cost on any structure comprising part of the related Facility, in an amount equal to the full insurable value of such structure or the principal amount of the portion of the Outstanding Series of Bonds (and any Additional Bonds) issued to finance and refinance the related Project pursuant to such Facility Lease, whichever is less. In each case, such insurance may be subject to a deductible clause of not to exceed $2,500,000 for any one loss. See "CERTAIN RISK FACTORS — Courthouse Site Environmental Risk," "— No Flood Insurance" and "— Wildfire Risk."

Neither the Board nor any Participating Agency expects to maintain earthquake insurance on any Facility. See "CERTAIN RISK FACTORS — No Earthquake Insurance." The Board is unable to predict when or if such insurance will be available on the open market from reputable insurance companies at a reasonable cost. See APPENDIX B hereto for general discussions of seismicity relative to each Project.

Also see APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Covenants of the Board — Insurance" and "— THE FACILITY LEASES — Insurance."

Use of Insurance Proceeds. In the event of any damage to or destruction of a Facility caused by the perils covered by the property insurance required under the Indenture and each related Facility Lease or, in the event of a loss of use of all or a portion of a Facility due to a title defect for which the Board or the applicable Participating Agency has obtained any title insurance, the proceeds of such insurance shall be utilized, in the sole discretion of the Board, either (i) to redeem Outstanding Bonds of the applicable Series (and any Additional Bonds) under the Indenture, to the extent possible and in accordance with the provisions of the Indenture, but only if the Base Rental payments due after such redemption together with the other Revenues to be received under the Indenture would be sufficient to retire such Bonds (and any Additional Bonds) under the Indenture then Outstanding in accordance with their terms, or (ii) to repair, reconstruct or replace such Facility to the end that such Facility is restored to at least the same condition that it was in prior to such damage, destruction or loss of use. If the Board so elects to repair, reconstruct, or replace such Facility, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction or replacement is required to be transferred to the Board and treated as Revenues and applied in the manner provided in the Indenture. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Covenants of the Board — Insurance," and "— THE FACILITY LEASES — Insurance." See also "TERMS OF THE 2025A BONDS — Redemption Provisions of the 2025A Bonds — Selection of 2025A Bonds for Redemption" and "TERMS OF THE 2025B BONDS — Redemption Provisions of the 2025B Bonds — Selection of 2025B Bonds for Redemption."

Rental Interruption Insurance. Each Facility Lease requires the applicable Participating Agency, and the Indenture requires the Board, to maintain or cause to be maintained rental interruption insurance or use and occupancy insurance to cover loss, total or partial, of the use of the related Facility as a result of any of those certain hazards covered by the fire, lightning and extended coverage insurance and by any earthquake insurance (only if acquired) required by the Indenture and such Facility Lease in an amount to cover not less than the succeeding two consecutive years' Base Rental under such Facility Lease. Except for the 2025AB Facility, such rental interruption insurance must be provided throughout the term of each Facility Lease. With respect to the 2025AB Facility, such rental interruption insurance must be provided from and after the last date on which the interest on the portion of the Bonds related to such Facility is fully paid from capitalized interest and then continue throughout the term of the applicable Facility Lease.

In the event any Facility is substantially damaged by a hazard not covered by any insurance as discussed in the paragraph above, the applicable Participating Agency's obligation to make Rental payments would be abated proportionately during any period in which there is substantial interference with the use and occupancy of such Facility or any portion thereof, and there would be no rental interruption insurance proceeds with which to make Rental payments.

Use of Rental Interruption Insurance Proceeds. Any rental interruption or use and occupancy insurance policy is to be in a form satisfactory to the Board and is required to contain a loss payable clause making any loss thereunder payable to the State Treasurer. The Indenture and each Facility Lease require that the State Treasurer use any proceeds of such insurance to reimburse the applicable Participating Agency for any Rental theretofore paid by such Participating Agency under such Facility Lease for the period of time during which the payment of Rental under such Facility Lease is abated, and that any proceeds of such insurance not so used is to be applied, as provided in the Indenture, to the extent required, to pay annual debt service on the Bonds and any Additional Bonds, or to pay administrative costs of the Board in connection with the related Facility. See "— Abatement of Rental" above, and APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Covenants of the Board — Insurance" and "— THE FACILITY LEASES — Insurance."

No Reserve Fund

No reserve fund has been established for the Bonds of either Series. Pursuant to the Indenture, following the issuance of the Bonds of such Series, the Board, in its sole discretion, may elect to designate the Bonds of such Series or any Additional Bonds as Incorporated Bonds to be secured by the Reserve Fund in accordance with the provisions of the Master Indenture. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Definitions" and "— Establishment of Funds and Accounts — Reserve Fund." See also "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Additional Bonds." The Board has no present plans to make such an election with respect to the 2025A Bonds or the 2025B Bonds.

Remedies Upon Default

If a Participating Agency defaults under a Facility Lease, the Board may enforce its remedies thereunder. In general, remedies under each Facility Lease include the right (i) to maintain such Facility Lease in full force and effect and receive all rent from the Participating Agency as it becomes due or (ii) to terminate such Facility Lease and the Participating Agency's right of possession to the related Facility and to re-let the Facility and recover damages recoverable at law as a result of the Participating Agency's default. The Indenture provides that any Holder may by legal action compel the Board to carry out its duties under the Act and the Indenture, including maintaining and enforcing its rights under each of the Facility Leases. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Other Remedies of Holders" and "— THE FACILITY LEASES — Breach."

While each Facility Lease provides that the related Facility may be re-let following a default, achieving such a remedy may not be practical due to the lack of a replacement lessee, the specialized nature, in some cases, of the Facility to be re-let, or other reasons. For more information regarding the Projects, see APPENDIX B hereto.

Although acceleration is a remedy provided in the Indenture, the Base Rental payable pursuant to the Facility Leases may not be accelerated. Therefore, the circumstances under which the State Treasurer might declare the principal of and accrued interest on the Bonds due and payable immediately are limited. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Acceleration of Maturities" and "— THE FACILITY LEASES — Breach."

Substitution of Property

Pursuant to each Facility Lease, the applicable Participating Agency and the Board jointly, but not separately, reserve the right at any time to substitute any Substituted Property for all or any portion of the related Facility without Bondholder consent, provided that:

(a) the applicable Participating Agency and the Board find (and deliver a certificate of such Participating Agency and the Board to the State Treasurer setting forth such findings) that (i) the Substituted Property (and, in the case of a substitution of only a portion of a Facility with respect to the related Facility Lease, any remaining portion of such Facility) has the same or greater annual fair rental value than the annual Base Rental payments remaining unpaid pursuant to such Facility Lease, and (ii) the Base Rental payments being made by such Participating Agency pursuant to such Facility Lease will not be reduced as a result of the proposed substitution; and

(b) the applicable Participating Agency certifies to the Board and the State Treasurer that (i) the Substituted Property has (A) similar or greater utility to such Participating Agency in performing its essential governmental functions as such Facility, and (B) equivalent or greater economic useful life than the period remaining until the last maturity of the applicable Series of Bonds, (ii) such Participating Agency has transferred an appropriate interest in the Substituted Property (by amendment to the related Site Lease or otherwise) to the Board so that the Board may lease such property to such Participating Agency; and (iii) the related Facility Lease has been amended to include the Substituted Property; and

(c) the Board obtains and delivers to the State Treasurer an Opinion of Counsel to the effect that such substitution will not, in and of itself, cause the interest on the 2025A Bonds and any Additional Bonds to be included in gross income for federal income tax purposes; and

(d) the applicable Participating Agency certifies that the Substituted Property is not subject to any liens or encumbrances, except for encumbrances permitted by the Board which will not adversely affect the right of such Participating Agency to use and occupy the Substituted Property in accordance with the provisions of the related Facility Lease; and

(e) not less than 15 days prior to the date on which the Substituted Property is substituted or added pursuant to the related Facility Lease, the Board will deliver copies of the proposed amendments to the related Site Lease and the related Facility Lease to any rating agency then rating the Bonds.

Any substitution of Substituted Property in accordance with the provisions of a Facility Lease may be made without the consent of any Bondholder and will be deemed not to result in any material impairment of the security given or intended to be given to the Bondholders under the Indenture. In no event shall any Participating Agency or the Board be obligated or compelled to deliver any Substituted Property.

Potential Release of Facilities on Partial Redemption or Defeasance

In the event that the Board effects a partial redemption of the Bonds from the proceeds of insurance or eminent domain proceedings, or a partial optional redemption of the 2025A Bonds pursuant to the Indenture, or otherwise causes a portion of the Bonds to be paid or deemed paid in accordance with the provisions of the Indenture, the Board shall, in its discretion, determine which Base Rental payments shall have been paid and discharged and in the event that all Base Rental payments to be applied to the payment of the Bonds with respect to a Facility Lease shall have been paid and discharged, such Facility Lease and any related Site Lease shall no longer be subject to the provisions of the Indenture. In connection with any such partial redemption or partial defeasance of the Bonds, the Board shall deliver to the State Treasurer a Certificate of the Board stating which Base Rental payments have been deemed paid and discharged and that the remaining Base Rental payable under the Facility Leases shall be sufficient to pay the principal of and interest on the Outstanding Bonds when due.

So long as the applicable provisions of the Indenture have been satisfied, any adjustment of the Base Rental payments due under a Facility Lease may be made without the consent of the Holders of any Bonds and shall be deemed not to result in any material impairment of the security given or intended to be given to the Holders of the Bonds. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Adjustment of Base Rental Payments for Projects; Termination."

Additional Bonds

The Board may issue one or more series of Additional Bonds under the Indenture secured by Revenues on parity with the Bonds for the purposes of (i) financing or refinancing the acquisition, design and/or construction of the Projects, including any additions, betterments, extensions or improvements thereto, (ii) refunding all or a portion of the Bonds or Additional Bonds then Outstanding, and (iii) paying of all costs incidental to or connected with any Additional Bonds issued in accordance with (i) or (ii) above, (iv) paying interest on any Additional Bonds during and after the period of construction or acquisition as permitted by the Act, and/or (v) making deposits into the Reserve Fund if the Additional Bonds are to be designated as Incorporated Bonds or into any separate reserve account securing the Additional Bonds. In connection with the issuance of Additional Bonds, the applicable Facility Lease would be amended to provide for Base Rental thereunder sufficient, in both time and amount and together with the Base Rental due under the other Facility Lease, to pay when due the annual principal of and interest on the Outstanding Bonds and any such Additional Bonds. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Conditions for the Issuance of Additional Bonds."

TERMS OF THE 2025A BONDS

General

The 2025A Bonds are being issued by the Board to provide funds (i) to finance and refinance the design and/or construction of all or a portion of the 2025A Projects, including reimbursement of certain interim loans made to the Board previously used to pay for certain of such 2025A Project costs, (ii) to pay certain capitalized interest on the portion of the 2025A Bonds issued for the Courthouse and (iii) to pay the costs of issuance of the 2025A Bonds. See "THE PROJECTS — The Projects — The 2025A Projects," and "— Estimated Sources and Uses of Funds" below; see also APPENDIX B — "INFORMATION CONCERNING THE PARTICIPATING AGENCIES AND THEIR RESPECTIVE PROJECTS."

Redemption Provisions of the 2025A Bonds*

Optional Redemption. The 2025A Bonds maturing on or before April 1, 20_ are not subject to optional redemption prior to their maturity dates. The 2025A Bonds maturing on and after April 1, 20_ are subject to redemption prior to their respective maturity dates, at the option of the Board, from any available funds, in whole or in part on any date on and after April 1, 20_, at the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Redemption. The 2025A Bonds are subject to redemption prior to their respective stated maturity dates, upon notice as provided in the Indenture, at the option of the Board, on any date, in whole or in part, from proceeds of insurance or eminent domain proceedings received in connection with the 2025A Facilities, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. See " — Selection of 2025A Bonds for Redemption" below. See also "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Insurance Proceeds," "CERTAIN RISK FACTORS — Risk Management and Insurance" and APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Covenants of the Board — Insurance," "— THE SITE LEASES — Eminent Domain" and "— THE FACILITY LEASES — Insurance" and "— Eminent Domain."

Mandatory Sinking Account Redemption. The 2025A Bonds maturing on April 1, 20__ (the "2025A Term Bonds") shall be paid at maturity and are subject to redemption prior to their stated maturity date, in part, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the amounts and on the dates set forth in the following table:

2025A Term Bonds Maturing April 1, 20__

Mandatory Sinking Account Payment Dates (April 1)	Principal Amount Redeemed

† Maturity Date.

In the event of optional redemption of less than all of the 2025A Term Bonds, the mandatory sinking account payments for such 2025A Term Bonds are to be reduced at the direction of the Board; provided, however, that the Board shall first have received an Opinion of Counsel stating that partial redemption of such 2025A Term Bonds and the method of reduction directed by the Board is legally permitted. In the absence of such direction with respect to an optional redemption, and, in the case of a partial redemption of the 2025A Term Bonds from the proceeds of insurance or eminent domain proceedings, the mandatory sinking account payments for such 2025A Term Bonds will be reduced ratably.

Selection of 2025A Bonds for Redemption. If less than all of the 2025A Bonds then Outstanding are to be redeemed at any one time from the proceeds of insurance or eminent domain proceedings received with respect to a 2025A Facility, the State Treasurer shall select 2025A Bonds, 2025B Bonds and each Series of Additional Bonds (if any) to be redeemed on a proportionate basis relative to the portion of the 2025A Facility financed with proceeds of the 2025A Bonds, 2025B Bonds, if any, and Additional Bonds, if any, and from each maturity within the 2025A Bonds on a proportionate basis; provided that within each

* Preliminary, subject to change.

maturity such 2025A Bonds shall be selected by lot (i.e., if the Facility to which the proceeds of insurance or eminent domain proceedings relate is the 2025AB Facility, the preceding proportionate allocation procedure shall apply to the redemption of a portion of the 2025A Bonds, a portion of the 2025B Bonds and a portion of each series of Additional Bonds which financed and/or refinanced the 2025AB Facility (if any)). If less than all of the 2025A Bonds then Outstanding are to be redeemed at any one time, other than from the proceeds of insurance or eminent domain proceedings, the State Treasurer shall select such 2025A Bonds to be redeemed from each maturity at their discretion; provided that within each maturity such 2025A Bonds shall be selected by lot.

Notice of Redemption of 2025A Bonds. So long as DTC is acting as securities depository for the 2025A Bonds, notice of redemption will be given by the State Treasurer by sending copies of such notice to DTC (and not to the Beneficial Owners of the 2025A Bonds designated for redemption) not less than 30 nor more than 60 days before the redemption date. The Indenture also provides for notice of redemption to be sent to one or more of the information services set forth in the Indenture, and the State Treasurer's current practice is to provide this notice through the MSRB's EMMA portal. Failure by the State Treasurer to give notice pursuant to the Indenture to any one or more of the information services or securities depositories who are not Holders, including to the MSRB's EMMA portal, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption. The Indenture provides that if notice of redemption has been duly given and money for payment of the redemption price of the 2025A Bonds called for redemption is held by the State Treasurer, then on the date fixed for redemption designated in such notice the 2025A Bonds so called for redemption will become due and payable, and from and after the date fixed for redemption, interest on the 2025A Bonds so called for redemption will cease to accrue, and the Holders of such 2025A Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. See APPENDIX E — "DTC AND THE BOOK-ENTRY SYSTEM" concerning DTC's redemption procedures.

A notice of redemption for an optional redemption or a redemption from proceeds of insurance or eminent domain proceedings may be conditioned upon receipt by the State Treasurer of sufficient funds to effect the redemption. If sufficient funds are not on deposit with the State Treasurer at least one day prior to the redemption date, the redemption shall not occur and the 2025A Bonds shall remain Outstanding under the Indenture. If any redemption is cancelled due to a lack of sufficient funds, the State Treasurer shall provide a notice stating that such redemption was cancelled and did not occur in the same manner as and to the same recipients who received the notice of redemption.

Purchase of 2025A Term Bonds in Lieu of Redemption. The Indenture provides that, at any time prior to giving notice of mandatory sinking account redemption of any 2025A Term Bonds, the State Treasurer may apply moneys on deposit in the sinking account relating to such 2025A Term Bonds to the purchase of such 2025A Term Bonds at a public or private sale, as and when and at such prices as shall be determined by the State Treasurer, except that such purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such 2025A Term Bonds upon redemption by application of such mandatory sinking account payments, as described above. If, during the twelve-month period immediately preceding each mandatory sinking account payment date, the State Treasurer has purchased such 2025A Term Bonds with moneys in such sinking account, such 2025A Term Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce the next succeeding mandatory sinking account payment, as applicable.

Annual Fiscal Year Debt Service Requirements

Set forth below are the principal, interest and total debt service requirements for the 2025A Bonds, assuming no redemptions other than scheduled mandatory sinking account redemptions:

Payment Date	*Principal*	*Interest*	*Total Debt Service*	*Annual Fiscal Year Debt Service*
Total				

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Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the 2025A Bonds and other legally available funds of the Board are expected to be applied as set forth below:

Estimated Sources	
Principal Amount of the 2025A Bonds	
Plus/Less [Net] Original Issue Premium/Discount	
Total Estimated Sources	
Estimated Uses	
Project Account	
Capitalized Interest[1]	
Costs of Issuance[2]	
Underwriters' Discount	
Total Estimated Uses	

[1] *Funded in an amount to pay interest on the 2025A Bonds issued for the Courthouse through and including September 1, 2025.*
[2] *Includes the State Treasurer's fees for serving as trustee, legal and rating agencies' fees, and other costs of issuance.*

TERMS OF THE 2025B BONDS

General

The 2025B Bonds are being issued by the Board to provide funds (i) to finance and refinance the construction of a portion of the Courthouse, including reimbursement of certain interim General Fund loans made to the Board previously used to pay for certain of such Courthouse costs, (ii) to pay capitalized interest on the 2025B Bonds and (iii) to pay the costs of issuance of the 2025B Bonds. See "THE PROJECTS — The Projects — The 2025B Project," and "— Estimated Sources and Uses of Funds" below; see also APPENDIX B — "INFORMATION CONCERNING THE PARTICIPATING AGENCIES AND THEIR RESPECTIVE PROJECTS."

Redemption Provisions of the 2025B Bonds*

Optional Redemption. The 2025B Bonds are not subject to optional redemption prior to their maturity dates.

Extraordinary Redemption. The 2025B Bonds are subject to redemption prior to their respective stated maturity dates, upon notice as provided in the Indenture, at the option of the Board, on any date, in whole or in part, from proceeds of insurance or eminent domain proceedings received in connection with the 2025AB Facility, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Insurance Proceeds," "CERTAIN RISK FACTORS — Risk Management and Insurance" and APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE — Covenants of the Board — Insurance," "— THE SITE LEASES — Eminent Domain" and "— THE FACILITY LEASES — Insurance" and "— Eminent Domain."

Mandatory Sinking Account Redemption. The 2025B Bonds maturing on April 1, 20__ (the "2025B Term Bonds") shall be paid at maturity and are subject to redemption prior to their stated maturity date, in part, at the principal amount thereof plus accrued interest to the date fixed for redemption, without

* Preliminary, subject to change.

premium, from mandatory sinking account payments in the amounts and on the dates set forth in the following table:

2025B Term Bonds Maturing April 1, 20__

Mandatory Sinking Account Payment Dates (April 1)	**Principal Amount Redeemed**

† Maturity Date.

In the case of a partial redemption of the 2025B Term Bonds from the proceeds of insurance or eminent domain proceedings, the mandatory sinking account payments for such 2025B Term Bonds will be reduced ratably.

Selection of 2025B Bonds for Redemption. If less than all of the 2025B Bonds then Outstanding are to be redeemed at any one time from the proceeds of insurance or eminent domain proceedings received with respect to the 2025AB Facility, the State Treasurer shall select 2025B Bonds, 2025A Bonds and each Series of Additional Bonds (if any) to be redeemed on a proportionate basis relative to the portion of the 2025AB Facility financed with proceeds of the 2025B Bonds, 2025A Bonds and Additional Bonds, if any, and from each maturity within the 2025B Bonds on a proportionate basis; provided that within each maturity such 2025B Bonds shall be selected by lot (i.e., if the proceeds of insurance or eminent domain proceedings relate to the 2025AB Facility, the preceding proportionate allocation procedure shall apply to the redemption of a portion of the 2025B Bonds, a portion of the 2025A Bonds and a portion of each series of Additional Bonds which financed and/or refinanced the 2025AB Facility (if any)).

Notice of Redemption of 2025B Bonds. So long as DTC is acting as securities depository for the 2025B Bonds, notice of redemption will be given by the State Treasurer by sending copies of such notice to DTC (and not to the Beneficial Owners of the 2025B Bonds designated for redemption) not less than 30 nor more than 60 days before the redemption date. The Indenture also provides for notice of redemption to be sent to one or more of the information services set forth in the Indenture, and the State Treasurer's current practice is to provide this notice through the MSRB's EMMA portal. Failure by the State Treasurer to give notice pursuant to the Indenture to any one or more of the information services or securities depositories who are not Holders, including to the MSRB's EMMA portal, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption. The Indenture provides that if notice of redemption has been duly given and money for payment of the redemption price of the 2025B Bonds called for redemption is held by the State Treasurer, then on the date fixed for redemption designated in such notice the 2025B Bonds so called for redemption will become due and payable, and from and after the date fixed for redemption, interest on the 2025B Bonds so called for redemption will cease to accrue, and the Holders of such 2025B Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. See APPENDIX E — "DTC AND THE BOOK-ENTRY SYSTEM" concerning DTC's redemption procedures.

A notice of redemption for a redemption from proceeds of insurance or eminent domain proceedings may be conditioned upon receipt by the State Treasurer of sufficient funds to effect the redemption. If sufficient funds are not on deposit with the State Treasurer at least one day prior to the redemption date, the redemption shall not occur and the 2025B Bonds shall remain Outstanding under the Indenture. If any redemption is cancelled due to a lack of sufficient funds, the State Treasurer shall provide a notice stating that such redemption was cancelled and did not occur in the same manner as and to the same recipients who received the notice of redemption.

Purchase of 2025B Term Bonds in Lieu of Redemption. The Indenture provides that, at any time prior to giving notice of mandatory sinking account redemption of any 2025B Term Bonds, the State Treasurer may apply moneys on deposit in the sinking account relating to such 2025B Term Bonds to the purchase of such 2025B Term Bonds at a public or private sale, as and when and at such prices as shall be determined by the State Treasurer, except that such purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such 2025B Term Bonds upon redemption by application of such mandatory sinking account payments, as described above. If, during the twelve-month period immediately preceding each mandatory sinking account payment date, the State Treasurer has purchased such 2025B Term Bonds with moneys in such sinking account, such 2025B Term Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce the next succeeding mandatory sinking account payment, as applicable.

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Annual Fiscal Year Debt Service Requirements

Set forth below are the principal, interest and total debt service requirements for the 2025B Bonds, assuming no redemptions other than scheduled mandatory sinking account redemptions:

Payment Date	*Principal*	*Interest*	*Total Debt Service*	*Annual Fiscal Year Debt Service*
Total				

[Remainder of page intentionally left blank.]

Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the 2025B Bonds and other legally available funds of the Board are expected to be applied as set forth below:

Estimated Sources	
Principal Amount of the 2025B Bonds	
Total Estimated Sources	
Estimated Uses	
Project Account	
Capitalized Interest[(1)]	
Costs of Issuance[(2)]	
Underwriters' Discount	
Total Estimated Uses	

[(1)] *Funded in an amount to pay interest on the 2025B Bonds through and including September 1, 2025.*
[(2)] *Includes the State Treasurer's fees for serving as trustee, legal and rating agencies' fees, and other costs of issuance.*

THE STATE PUBLIC WORKS BOARD

General

The Board was created in 1946 as an entity of state government upon enactment by the State Legislature in its 1946 First Extraordinary Session of Chapter 145 of the Statutes of 1946, commencing at section 15752 of the Government Code. The Board is empowered to, among other things, acquire, construct, improve, equip, maintain, operate and lease public buildings and related facilities for the use of state agencies. The acquisition and construction of public buildings by the Board is subject to authorization by the State Legislature through a separate act or appropriation. Pursuant to the Act, the Board is empowered to issue revenue obligations to finance and refinance the cost of its projects which have been authorized by the State Legislature. **The Board has no power at any time or in any manner to pledge the credit or taxing power of the state or any of its agencies for the payment of principal of, or redemption premium, if any, or interest on its obligations**.

The Board consists of the Director of the Department of Finance, the Director of the Department of Transportation and the Director of the Department of General Services. For the purpose of hearing and deciding upon matters relating to the issuance of revenue obligations pursuant to the Act, the State Treasurer and the State Controller are also members of the Board. The Secretary of the Natural Resources Agency also serves as a Board member, but only for the purpose of hearing and deciding matters related to the acquisition of properties or construction of projects for any department, office or other unit under such Agency.

The Board, pursuant to statute, is the principal entity for the approval and oversight of most major capital outlay projects of the state, other than state highway projects. The Board's responsibility includes approval of the pre-construction documentation and plans for state public works projects, including hospitals, prisons, office buildings and university and community college facilities, for the purpose of ensuring that the documentation and plans reflect the legislatively or statutorily approved scope of the project and the statutory limitation on authorized project costs.

Indebtedness of the Board

In addition to the Bonds, the Board has issued, and expects to issue in the future, other lease revenue bonds under the Act to finance a wide variety of capital projects for many state agencies. See APPENDIX A — "THE STATE OF CALIFORNIA — STATE INDEBTEDNESS AND OTHER OBLIGATIONS — Capital Facilities Financing — Lease-Revenue Obligations."

Prior to the issuance of its long-term bonds, the Board may obtain interim loans from the state's Pooled Money Investment Account or the state's General Fund to commence projects that have been approved by the State Legislature and the Board. As of March 1, 2025, the Pooled Money Investment Board had approved interim loans for the Board from the Pooled Money Investment Account totaling $225,114,000.[1] As of March 1, 2025, the Director of the Department of Finance of the State of California has approved interim loans for the Board from the General Fund totaling $2,997,569,000.[2]

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[1] *Source: State Treasurer's Office.*
[2] *Source: Department of Finance.*

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered in evaluating the purchase of the Bonds. The following does not purport to be an exhaustive list of the risks associated with an investment in the Bonds. The order in which this information is presented does not reflect the relative importance of the various issues. Any one or more of the risk factors discussed below could lead to a decrease in the market value or liquidity of the Bonds. There can be no assurance that other risk factors not discussed here will not become material in the future.

Limited Obligations of the Board

The Bonds will be special obligations of the Board payable solely from the Revenues and amounts in certain funds and accounts pledged under the Indenture. **The full faith and credit of the state is not pledged, and the General Fund of the state is not liable, for the payment of the principal of, or redemption premium, if any, or interest on the Bonds, and no tax shall ever be levied or collected to pay the principal of, or redemption premium, if any, or interest on the Bonds**. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Bonds are Limited Obligations."

Completion Risks of the Courthouse

Certain state administrative and regulatory approvals, typical to all state projects, that are required to be obtained in order to complete and facilitate the occupancy of Courthouse have yet to be obtained. Until the Courthouse is complete and ready for occupancy, it is subject to the ordinary and possible delays applicable to similar projects. Such risks include, but are not limited to: (i) increased materials costs, labor costs or failure of contractors to perform within contract price; (ii) inclement weather affecting contractor performance and timeliness of completion; (iii) natural disasters, operating risks or hazards or other unexpected conditions or events; (iv) contractor claims or nonperformance; (v) work stoppages or slowdowns; (vi) failure of contractors to meet schedule terms; and (vii) the discovery of hazardous materials on the related site or other compliance issues with applicable environmental standards. See "THE PROJECTS — The Courthouse — Completion Risks of the Courthouse."

The Board will fund an amount equal to the interest to accrue on the 2025A Bonds and the 2025B Bonds issued to finance and refinance the costs of the Courthouse through and including September 1, 2025, from proceeds of the 2025A Bonds and the 2025B Bonds. There can be no assurance that completion of the Courthouse will not be delayed, preventing the Board from delivering possession of the Courthouse for use and occupancy by such date. **If the Courthouse is not delivered by the date to which interest is**

capitalized, Base Rental payments under the 2025AB Facility Lease will not commence until possession is delivered, and such delayed payment of Base Rental may affect the sufficiency of Revenues to pay debt service on the 2025A Bonds and the 2025B Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental."

Courthouse Site Environmental Risk

The Site of the Courthouse is located within a larger, 244-acre site designated by the City of Sacramento as the "Railyards" property due to such Site's prior ownership and use by the Union Pacific Railroad Company and other rail operators. The California Department of Toxic Substances Control ("DTSC") approved the use of the Site for a courthouse facility in 2014, subject to certain criteria for public use of the Site. The Judicial Council agreed with DTSC on a site remediation plan for construction of the Courthouse, and the Site was remediated under DTSC's oversight. The remediation activities included soil excavation and chemical stabilization, following which DTSC concluded that the Site does not present an unacceptable risk to present and future human health and safety or the environment, provided that Site usage remains subject to certain environmental restrictions. Such restrictions only allow soil disturbance at the Site under a management plan pre-approved by DTSC. Prohibited activities involve drilling for water, extraction or removal of groundwater, and any activity that may alter, interfere with, or otherwise affect the integrity or effectiveness of site-monitoring and similar systems. The Judicial Council does not expect to engage in any prohibited activities at the Site in connection with its occupation and operation of the Courthouse. However, there can be no assurance that a disturbance of the soil at the Site resulting in a toxic substance release will not occur during the term of the 2025AB Facility Lease. See "— Abatement" and "— Risk Management and Insurance" below and see "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental" and "— Insurance Proceeds."

No Earthquake Insurance

Generally, within the state, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and damage to property located at or near the center of such seismic activity. Each Facility Lease requires earthquake insurance only if, in the sole discretion of the Board, such insurance is available on the open market from reputable insurance companies at a reasonable cost. **Neither the Board nor any Participating Agency expects to maintain earthquake insurance on any Facility, and a seismic event affecting a Facility could cause an abatement in Base Rental payments during the period that the damaged Facility is being repaired, reconstructed or replaced. The Board is unable to predict when or if such insurance will be available on the open market from reputable insurance companies at a reasonable cost**. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Insurance Proceeds" and APPENDIX B hereto for a general discussion of the seismicity risk of each Project.

No Flood Insurance

Generally, within certain areas of the state, some level of flooding occurs on a regular basis, and some areas of the state have in recent years experienced significant rainfall, flooding and debris flows. Periodically, the magnitude of a single flood event or successive flood events can cause significant damage to public and private property located at or near the area of the flood. None of the Facilities currently appears to be located in a 100-year flood plain area as indicated on maps developed and maintained by the California Department of Water Resources (https://gis.bam.water.ca.gov/bam/). The Facility Leases do not require the purchase of flood insurance. **Neither the Board nor any Participating Agency expects to maintain flood insurance on any Facility, and a flooding event affecting a Facility could cause an abatement in Base Rental payments during the period that the damaged Facility is being repaired, reconstructed or replaced.** See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF

BONDS — Insurance Proceeds," APPENDIX B — "INFORMATION CONCERNING THE PARTICIPATING AGENCIES AND THEIR RESPECTIVE PROJECTS."

Wildfire Risk

Many areas of the state are susceptible, some very highly susceptible, to wildfires. Wildfire activity in the state has caused, including in several recent years, severe damage and property loss. None of the Facilities currently appears to be located within or adjacent to any CalFire-designated wildfire zones that are described as areas having very high or high fire hazard risk and in which severe damage could occur in the event of a wildfire. See the wildfire hazard severity zone maps available at https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones. Certain recent wildfires in many areas of California have been very large and dynamic in their ranges, and CalFire-designated wildfire zones could be re-evaluated and re-designated. Accordingly, in the future, either of the Facilities could be at greater risk of proximate wildfire activity and severe damage in the event of a wildfire. Under the Facility Leases, property insurance is required which covers the risk of loss due to wildfire. Although the Facilities are insured against a risk of loss due to wildfire, a wildfire event could cause an abatement in Base Rental payments during the period that a damaged Facility is being repaired, reconstructed or replaced or could result in an extraordinary redemption of a portion of the Bonds. See "— Abatement" and "— Risk Management and Insurance" below and see "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental" and "— Insurance Proceeds." See also "APPENDIX A — "THE STATE OF CALIFORNIA — ECONOMIC AND BUDGET RISKS."

Abatement

Damage (including toxic substance presence at a certain level), destruction, title defect or eminent domain proceedings with respect to a Facility or nondelivery of a Facility, or any portion thereof, may result in abatement of all or a portion of the Base Rental payments with respect to such Facility. The remaining Base Rental payments not subject to abatement, if any, moneys from insurance (in the event of any insured loss due to damage or destruction), including rental interruption insurance, and any condemnation proceeds, may be insufficient to make all payments of principal of and interest on the Bonds during the period that such Facility is being replaced, repaired or reconstructed, as applicable. **In such circumstances all or a portion of the payments of principal and interest on the Bonds may not be made. Abatement is not an event of default, and no remedy is available under any Facility Lease or the Indenture to the Holders of the Bonds for nonpayment under such circumstances**. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental."

No Limitation on Additional Bonds

The Indenture does not contain any limitation on the principal amount of bonds that the Board may issue as Additional Bonds payable from Base Rental payments with respect to each applicable Facility on parity with the Bonds. In connection with the issuance of Additional Bonds, each related Facility Lease would be amended to provide for Base Rental thereunder sufficient, in both time and amount, together with other Revenues pledged under the Indenture, to pay when due the annual principal of and interest on the Bonds and all Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Additional Bonds."

No Reserve Fund

No reserve fund has been established for either Series of Bonds, although the Indenture provides that the Board, in its sole discretion, may designate the applicable Series of Bonds or any Additional Bonds as Incorporated Bonds to be secured by the Reserve Fund in accordance with the provisions of the Master

Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — No Reserve Fund." The Board has no present plans to make such an election with respect to the 2025A Bonds or the 2025B Bonds. In the absence of such election, if Revenues are insufficient for the Board to pay debt service on the Bonds when due, no reserve fund will be available under the Indenture to make such payments.

Substitution of Property

Each Facility Lease permits the substitution of Substituted Property for all or a portion of the related Facility under specified conditions without the consent of the Holders of the applicable Series of Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Substitution of Property." Each Facility Lease requires that the Substituted Property (and, in the case of a substitution of only a portion of a Facility with respect to the related Facility Lease, any remaining portion of such Facility) have the same or greater annual fair rental value than the annual Base Rental payments remaining unpaid pursuant to such Facility Lease and that Base Rental payments will not be reduced. The substitution of all or any portion of a Facility with Substituted Property will be deemed not to result in any material impairment of the security given or intended to be given to the Holders under the Indenture. Such Substituted Property could be located anywhere within the state's boundaries.

Limited Recourse on Default

While each Facility Lease provides that the related Facility may be re-let following a default, achieving such a remedy may not be practical due to difficulty in identifying and coming to an agreement on lease terms with an appropriate replacement lessee, the specialized nature, in some cases, of the Facility to be re-let, or other reasons. Although acceleration is a remedy provided in the Indenture, the Base Rental payable pursuant to the Facility Leases may not be accelerated. Therefore, the circumstances under which the State Treasurer might declare the principal of and accrued interest on the Bonds due and payable immediately are limited. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Remedies Upon Default."

Enforcement of Remedies

The enforcement of any remedies provided in the Facility Leases and the Indenture could prove both expensive and time consuming. The rights and remedies provided in each Facility Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against the state, including state constitutional limits on expenditures, limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; equity principles which may limit the specific enforcement under state law of certain remedies; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the state in the interest of serving a significant and legitimate public purpose.

Risk Management and Insurance

Each Facility Lease requires the applicable Participating Agency to maintain and keep in force various forms of insurance, subject to deductibles, on the applicable Facility for repair or replacement in the event of damage or destruction to such Facility caused by certain hazards. Each Participating Agency is also required under each Facility Lease to maintain rental interruption or use and occupancy insurance. The Board makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy required under the Facility Leases and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal and interest with respect to the Bonds. In addition, the Facilities are insured on a periodic basis, and no assurance can be given that in the future the state will be able to obtain any particular form of hazard insurance on currently insured

Facilities, either on commercially reasonable terms or at all. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Insurance Proceeds."

State Financial Condition

Information about certain budget risks to the state is provided in APPENDIX A — "THE STATE OF CALIFORNIA." See APPENDIX A — "THE STATE OF CALIFORNIA — PART I OVERVIEW — Certain Information Regarding the Financial Condition of the State's General Fund, Budget Reserves and Risks to the General Fund," "— RECENT DEVELOPMENTS" and "— ECONOMIC AND BUDGET RISKS." Investors should review the entire APPENDIX A.

Other Risks

There may be other risk factors inherent in ownership of the Bonds in addition to those described in this section.

TAX MATTERS

2025A Bonds

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2025A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the 2025A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest on the 2025A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2025A Bond (the first price at which a substantial amount of the 2025A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2025A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2025A Bond.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2025A Bonds is based upon certain representations of fact and certifications made by the Board, the Participating Agencies and others and is subject to the condition that the Board and the Participating Agencies comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2025A Bonds to assure that interest (and original issue discount) on the 2025A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2025A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2025A Bonds. The Board and the Participating Agencies will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable 2025A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable 2025A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2025A Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2025A Bond to the Beneficial Owner. Purchasers of the 2025A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2025A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2025A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2025A Bonds is excluded from gross income for federal income tax purposes provided that the Board, the Participating Agencies and others continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2025A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2025A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2025A Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2025A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2025A Bonds might be affected as a result of such an audit of the 2025A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2025A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2025A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2025A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2025A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2025A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2025A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2025A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2025A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2025A BONDS.

2025B Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2025B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest (and original issue discount) on the 2025B Bonds is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a 2025B Bond (the first price at which a substantial amount of the 2025B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2025B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a 2025B Bond will increase the Beneficial Owner's basis in the 2025B Bond. Beneficial Owners of 2025B Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the 2025B Bonds.

In the event of a legal defeasance of a 2025B Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Beneficial Owner of the 2025B Bond generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance of the Beneficial Owner's adjusted tax basis in such bond.

The amount by which a Beneficial Owner's original basis of a 2025B Bond for determining gain or loss on sale or exchange of the applicable 2025B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a 2025B Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Beneficial Owner's basis in the applicable 2025B Bond (and the amount of taxable interest received). The basis reduction as a result of the amortization of bond premium may result in the Beneficial Owner of a 2025B Bond realizing a taxable gain when a 2025B Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2025B Bond to the Beneficial Owner. The Beneficial Owners of the 2025B Bonds that have a basis in the 2025B Bonds that is greater than the principal amount of the 2025B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and state personal income tax discussion set forth above with respect to the 2025B Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner's particular situation. The ownership and disposition of the 2025B Bonds and the accrual or receipt of interest with respect to the 2025B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is attached hereto in APPENDIX F.

CERTAIN LEGAL MATTERS

The validity of the Bonds is subject to the approval of the Honorable Rob Bonta, Attorney General of the State of California (the "Attorney General"), counsel to the Board, and Bond Counsel to the Board. Certain other legal matters, including without limitation, certain tax matters, are subject to the approval of Bond Counsel. The approving opinions of the Attorney General, counsel to the Board, and Bond Counsel will be delivered with the Bonds in substantially the forms set forth in APPENDIX F hereto. Copies of such approving opinions will be available at the time of delivery of the Bonds.

Certain legal matters will be passed upon by Squire Patton Boggs (US) LLP, as Disclosure Counsel to the Board, by Orrick, Herrington & Sutcliffe LLP, and Stradling Yocca Carlson & Rauth LLP, respectively, as Co-Disclosure Counsel to the state regarding APPENDIX A, for the Participating Agencies by their respective counsel, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. The Attorney General, Stradling Yocca Carlson & Rauth LLP, Orrick, Herrington & Sutcliffe LLP, Squire Patton Boggs (US) LLP, counsel for the Participating Agencies, counsel for the Board, and Hawkins Delafield & Wood LLP, respectively, undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

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, the Indenture, the Site Leases, the Facility Leases or any proceeding of the Board or any Participating Agency taken with respect to the foregoing.

There are numerous litigation matters pending against the state, that 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 Board believes that the resolutions of any such litigation are unlikely to adversely affect the ability of the Board to pay the principal of and interest on the Bonds when due. See APPENDIX A — "THE STATE OF CALIFORNIA — LITIGATION."

UNDERWRITING

The 2025A Bonds are being purchased by an underwriting syndicate consisting of Samuel A. Ramirez & Co., Inc. and Wells Fargo Bank, National Association, acting as representatives, and the other underwriters named on the cover page hereto (collectively, the "2025A Underwriters"), from the State Treasurer, who is authorized pursuant to the Act to sell the 2025A Bonds on behalf of the Board. The 2025A Underwriters have agreed to purchase the 2025A Bonds at a purchase price of $___________ (which represents the principal amount of $___________, less an underwriters' discount of $___________, [plus/less] a [net] original issue [premium/discount] of $___________).

The 2025B Bonds are being purchased by an underwriting syndicate consisting of Wells Fargo Bank, National Association and Samuel A. Ramirez & Co., Inc., acting as representatives, and the other underwriters named on the cover page hereto (collectively, the "2025B Underwriters" and, together with the 2025A Underwriters, the "Underwriters"), from the State Treasurer, who is authorized pursuant to the Act to sell the 2025B Bonds on behalf of the Board. The 2025B Underwriters have agreed to purchase the 2025B Bonds at a purchase price $___________ (which represents the principal amount of $___________, less an underwriters' discount of $___________, [plus/less] a [net] original issue [premium/discount] of $___________).

The purchase contract pursuant to which the Bonds are being sold provides that the Underwriters will purchase all of the Bonds, if any Bonds are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at yields lower or prices higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

Certain of the Underwriters, BofA Securities, Inc., Piper Sandler & Co., and Wells Fargo Bank, National Association, have provided letters to the State Treasurer and the Board, which letters are attached as APPENDIX G, relating to their respective distribution practices or other affiliations for inclusion in this Official Statement. Neither the State Treasurer nor the Board guarantees the accuracy or completeness of the information contained in such letters, and the information set forth in each letter is not to be construed as a representation of the state, the Board or any Underwriter other than the Underwriter named therein.

RATINGS

The 2025A Bonds and the 2025B Bonds have been assigned ratings of "Aa3" by Moody's Investors Service, Inc., "AA-" by Fitch Ratings and "A+" by S&P Global Ratings. Such ratings reflect only the views of the respective ratings agencies, and explanations of the significance of the ratings must be obtained from the rating agencies furnishing such ratings. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies circumstances so warrant. A downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds. Neither the state nor the Board can predict the timing or impact of future actions by the rating agencies.

FINANCIAL STATEMENTS

Capitalized terms used in the following paragraphs and not defined herein are defined in APPENDIX A hereto.

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023 (the "2023 Annual Comprehensive Financial Report") is included as APPENDIX H to this Official Statement. The 2023 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. As set forth in more detail in the 2023 Annual Comprehensive Financial Report, the State Auditor issued a modified opinion on two components of the Basic Financial Statements and issued an unmodified opinion on each of the remaining components of the Basic Financial Statements, including the General Fund. For additional information, see APPENDIX A — "THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

Prior to fiscal year 2017-18, the state's audited financial statements for a fiscal year were generally released on or before March 31 of the subsequent fiscal year. However, the state's audited financial statements for fiscal years 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 were released on June 5, 2019, October 30, 2020, February 2, 2022, March 31, 2023, March 15, 2024 and December 13, 2024, respectively. For additional information concerning the delayed release of such audited financial statements, see APPENDIX A — "THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

The cumulative impact of the delays in the completion of the state's Annual Comprehensive Financial Reports for fiscal years 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23, has resulted in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024 (the "2024 Annual Comprehensive Financial Report"), and has impacted the ability of the state to provide basic financial statements by the filing due date of March 31, 2025. The 2024 Annual Comprehensive Financial Report is currently expected to be issued in August 2025 or thereafter. For further discussion, 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, 2023 through June 30, 2024, and July 1, 2024 through February 28, 2025, are included as Exhibit 2 to APPENDIX A to this Official Statement.

MUNICIPAL ADVISOR

KNN Public Finance, LLC is serving as municipal advisor to the State Treasurer in connection with the sale of the Bonds.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement, the State Treasurer on behalf of the Board agrees to provide annually in the Annual Report to be filed with respect to the Bonds certain financial information and operating data relating to the state by not later than April 1 of each year in which the Bonds are outstanding, commencing with the report to be filed on or before April 1, 2026 containing 2024-2025 fiscal year 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 the other terms of the Continuing Disclosure Agreement are set forth in APPENDIX D hereto. The Board has practices in place to assist the Board and the Participating Agencies in complying with their respective disclosure obligations under the Continuing Disclosure Agreement.

The Board's annual reports for the fiscal years ended June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, filed on the MSRB's EMMA website pursuant to prior continuing disclosure agreements, did not include the state's audited or unaudited financial statements. Notices of failure to file a complete annual report due to the absence of financial statements were filed on the EMMA website on March 27, 2020, March 29, 2021, March 22, 2022, March 24, 2023, March 20, 2024, and March 28, 2025, respectively. The state's audited financial statements for the fiscal years ended June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023 were filed on the EMMA website promptly after they were released. The State Treasurer will agree in the Continuing Disclosure Agreement to promptly file the state's audited financial statements for the fiscal year ended June 30, 2024 on the EMMA website when such audited financial statements become available. See "FINANCIAL STATEMENTS," APPENDIX A — "THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS" and APPENDIX D — "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Annual Report and other required reports relating to the Bonds will be available on 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.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 Board (or any Participating Agency or the state) and the purchasers or holders of any of the Bonds.

The delivery of this Official Statement has been duly authorized by the Board.

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA

____
Joe Stephenshaw
Chair, State Public Works Board of the State of California

APPENDIX A

THE STATE OF CALIFORNIA

April 1, 2025

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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 2024 Budget Act and the 2025-26 Governor's Budget, 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 <u>not</u> included in APPENDIX A or, if included, is not described in detail.

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

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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 39.2 million residents as of July 2024. Its population is approximately 8.1 million larger than that of the second-most populous state (Texas), and California contains approximately 12 percent of the total U.S. population. The state's population increased slightly in fiscal year 2023-24 (from 39.12 million to 39.17 million), and the state's population is projected to grow marginally over the long term, albeit more slowly than in the past, to reach 41.2 million residents by 2070. See "ECONOMY AND POPULATION."

California's economy accounted for nearly 14.4 percent of the U.S. Gross Domestic Product ("GDP") in 2023, the latest year for which data was available. The state has a diverse economy with major components in high technology, trade, entertainment, manufacturing, government, tourism, construction, and services.

Demographic and economic statistical information and a discussion of economic assumptions are included in APPENDIX A under "CURRENT STATE BUDGET - Economic Assumptions Underlying the 2025-26 Governor's Budget" and "ECONOMY AND POPULATION."

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

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 Budget Stabilization Account (the "BSA") for fiscal year 2024-25 and to withdraw $4.9 billion from the BSA, the state's rainy day fund. 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. 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 (2024-25 and 2025-26), the 2025-26 Governor's Budget assumes that the conditions exist for the Governor to declare a fiscal budget emergency in fiscal year 2025-26 and proposes to suspend the required transfer of $2.4 billion to the BSA and maintains the withdrawal of $7.1 billion from the BSA in fiscal year 2025-26 leaving a projected balance in the BSA of $10.9 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 is able to take a more balanced approach to addressing the fiscal year 2024-25 budget shortfall.

After accounting for the suspended transfers and withdrawals for both fiscal year 2024-25 and fiscal year 2025-26, the Governor's Budget projects approximately $17 billion in total budgetary reserves for fiscal year 2025-26, comprised of:

- $10.9 billion in the Budget Stabilization Account;

- $1.5 billion in the Public School System Stabilization Account; and

- $4.5 billion in the state's Special Fund for Economic Uncertainties ("SFEU").

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

With the BSA suspension and transfer described above, the 2025-26 Governor's Budget General Fund Multi-Year Projection reflects a balanced budget and a positive operating reserve balance (SFEU) in fiscal year 2025-26. (See Table 3.)

Risks to the state's General Fund include the potential for further deterioration in the state's revenues in future years due to personal and corporation income tax volatility and/or an economic recession, 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, "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 will not materially adversely affect the financial condition of the state's General Fund. See "ECONOMIC AND BUDGET RISKS."

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."

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 or special fund revenues, or otherwise limit the Legislature and the Governor's discretion in enacting budgets. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Restrictions on Raising or Using General Fund Revenues."

The state manages its cash flow requirements during the fiscal year primarily with internal borrowing by the General Fund from over 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 January 1, 2025, the state had approximately $79.3 billion of outstanding general obligation bonds and lease revenue bonds payable principally from the state's General Fund or from lease payments paid from the operating budget of the respective lessees, which operating budgets are primarily, but not exclusively, derived from the General Fund. As of January 1, 2025, there were approximately $45.3 billion of authorized and unissued long-term voter-approved general obligation bonds which, when issued, will be payable principally from the General Fund and approximately $6.6 billion of authorized and unissued lease revenue bonds. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Future Issuance Plans; General Fund Debt Ratio."

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

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

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

State Pension Systems and Retiree Health Care Costs

The two main state pension funds (CalPERS and CalSTRS) each continue to face unfunded future liabilities in the tens of billions of dollars. It is unknown how significantly market volatility may ultimately impact unfunded pension liabilities and the state's annual actuarially determined General Fund pension contributions. For fiscal year 2024-25, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS were approximately $3.5 billion and $4.3 billion, respectively. For fiscal year 2025-26, the projected General Fund pension contributions to CalPERS and CalSTRS are approximately $4.9 billion and $4.6 billion, respectively. The increase in General Fund pension contributions to CalPERS in fiscal year 2025-26 as compared to fiscal year 2024-25 is due to the application of the fiscal year 2024-25 CalPERS supplemental pension payment to the state's overall pension liability, as adopted under Chapter 9, Statutes of 2024, Sec. 77 (AB 106). 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 2024 Budget Act included a payment of $337 million from Proposition 2 debt-repayment funding in fiscal year 2024-25 to reduce the state's CalPERS unfunded liability. Additionally, the 2025-26 Governor's Budget proposes to use $1.5 billion from Proposition 2 debt-repayment funding in fiscal year 2025-26 to further reduce the state's CalPERS unfunded liability. These payments are in addition to the actuarially determined and statutorily required state pension contribution to CalPERS. See "STATE FINANCES—OTHER ELEMENTS—Pension Systems." See also EXHIBIT 1—"PENSION SYSTEMS" for more information with respect to this payment.

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, 2023, 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 year 2025-26, the projected General Fund contribution for OPEB is approximately $4.0 billion. For fiscal year 2024-25, the General Fund contribution was approximately $3.6 billion. Under these standards, the total OPEB liability ("TOL") is estimated in the latest OPEB actuarial report to be $92.03 billion as of June 30, 2023 (of which $85.18 billion is unfunded) as compared to a TOL of $87.5 billion estimated as of June 30, 2022. 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, 2023 (the "2023 Annual Comprehensive Financial Report"), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2023 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, 2023 (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 2023 Annual Comprehensive Financial Report, the State Auditor issued a modified opinion on two components of the Basic Financial Statements and issued an unmodified opinion on each of the remaining components of the Basic Financial Statements, including the General Fund. 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, 2023 through June 30, 2024 and July 1, 2024 through February 28, 2025. 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, 2023 through June 30, 2024, and July 1, 2024 through February 28, 2025, as attached to APPENDIX A as EXHIBIT 2.

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

"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.

“2024 Budget Act” means the Budget Act for fiscal year 2024-25, enacted on June 26, 2024, as amended June 29, 2024.

“2024-25 Budget” means the 2024 Budget Act plus related legislation to implement the budget.

“2024-25 Governor’s Budget” means the proposed Governor’s Budget for fiscal year 2024-25 released on January 10, 2024.

“2025-26 Governor’s Budget” means the proposed Governor’s Budget for fiscal year 2025-26, released on January 10, 2025.

“2025-26 May Revision” means the May Revision of the Governor’s January budget proposal for fiscal year 2025-26.

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

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RECENT DEVELOPMENTS

On January 10, 2025, the Governor’s budget proposal for fiscal year 2025-26 was released. See “GOVERNOR’S PROPOSED BUDGET FOR FISCAL-YEAR 2025-26.” The following are certain significant recent developments concerning the state which occurred after the 2025-26 Governor’s Budget was released, and thus are not reflected in the discussion of the proposed 2025-26 Governor's Budget contained in Appendix A, including projected expenditure and reserve levels.

Recent Cash Receipts

In February 2025, the Department of Finance reported that agency cash receipts for fiscal year-to-date through January 31, 2025 were $2.2 billion, or 2 percent, above the 2025-26 Governor’s Budget forecast of $112.1 billion. The Governor’s Budget forecast was completed in late November 2024, therefore, the fiscal year-to-date difference reflects variance since late November. The fiscal year-to-date overage was the result of higher receipts from personal income tax, which were $2.1 billion above forecast due to a $2.3 billion overage in withholding, and other revenues that were $483 million above forecast due to higher federal cost recovery collections. These gains were partially offset by $186 million lower-than-expected corporation tax revenues and sales tax receipts that were $96 million below forecast. The 2025-26 Governor’s Budget forecast did not incorporate the delayed tax deadlines for Los Angeles County taxpayers, which negatively impacted January sales tax and personal income tax receipts.

In March 2025, the Department of Finance reported that agency cash receipts for fiscal year-to-date through February were $4.6 billion, or 3.8 percent, above the 2025-26 Governor’s Budget forecast of $121.4 billion. The Governor’s Budget forecast was completed in late November 2024, therefore, the fiscal year-to-date difference reflects variance since late November. The fiscal year-to-date overage was the result of higher receipts from personal income tax, which were $3.1 billion above forecast due to $3.2 billion higher-than-expected withholding, corporate tax revenues that were up $111 million over forecast, and other revenues that were $1.5 billion above forecast due to higher federal cost recovery collections. These gains were partially offset by lower-than-expected sales tax receipts that were $263 million below forecast. The 2025-26 Governor’s Budget forecast did not incorporate the delayed tax deadlines for Los Angeles County taxpayers, which negatively impacted January sales tax and personal income tax receipts.

Los Angeles County Tax Deadline Delay

Due to the Palisades and Eaton fires which started on January 7, 2025 in Los Angeles County, on January 11, 2025, the state announced conformity with the Internal Revenue Service tax deadline delays to extend personal and corporate income tax filing and payment deadlines due between January 7, 2025 and October 15, 2025, to October 15, 2025 for taxpayers in Los Angeles County. Los Angeles County comprises approximately one-quarter of the state’s population and accounted for 21 percent of the state’s personal income tax liability, 28 percent of corporate tax liability, and 32 percent of pass-through entity elective tax (“PTET”) liability in tax year 2022, the most recent data available. The state also extended the sales and use tax deadline for the fourth quarter of 2024 from February 3, 2025 to April 30, 2025 for taxpayers in Los

Angeles County with under $1 million in liability. The impact of this delay on the State General Fund is expected to be minor. These tax deadline delays have been impacting the state's cash results beginning in January 2025.

Disaster Relief for Los Angeles Fires

On January 23, 2025, the Governor signed special legislation to authorize increasing expenditures by up to $2.5 billion General Fund in fiscal year 2024-25 to expedite disaster relief and emergency response support for the Los Angeles fires, including emergency protective measures, evacuations, sheltering for survivors, debris removal and cleanup, post-fire hazard assessments and traffic control. These expenditures may be fully or partially reimbursed by the federal government.

Medi-Cal Expenditures

As described in "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES - State Expenditures – Health and Human Services," the 2025-26 Governor's Budget projected Medi-Cal General Fund expenditures in fiscal year 2024-25 would be $2.8 billion higher compared to the 2024 Budget Act. Since the issuance of the 2025-26 Governor's Budget, the Department of Health Care Services has identified that Medi-Cal expenditures are exceeding the projections in the 2025-26 Governor's Budget for fiscal year 2024-25. As a result, on March 4, 2025, the Department of Finance approved a request for a loan to the Department of Health Care Services in the amount of $3.44 billion to make Medi-Cal program payments to providers. (Given the significant difficulty in estimating Medi-Cal expenditures, such loans, which are specifically provided for in state law, were also necessary in fiscal years 2023-24 and 2017-18.) The fiscal year 2024-25 loan will be repaid through either current fiscal year legislation or pursuant to the 2025-26 Budget Act. Based on updated projections as of mid-March 2025, the Administration is requesting a supplemental appropriation from the Legislature of an additional $2.8 billion. The Department of Health Care Services continues to update its projections of Medi-Cal general fund expenditures for the May Revision. The Administration anticipates that any further changes in expenditures, including additional shortfalls of similar magnitude as those described above, can be managed administratively, such as by shifting payments to fiscal year 2025-26.

GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2025-26

The 2025-26 Governor's Budget supports vital initiatives that improve education, including full implementation of universal transitional kindergarten ("TK") and increased funding for universal school meals, as well as improvements to health care, housing and homelessness and enhanced economic development. The 2025-26 Governor's Budget includes $283.6 million to support state and local public safety efforts, which maintains an investment of $1.6 billion since fiscal year 2022-23. The economy has performed better than projected in the 2024 Budget Act, contributing to the projected higher General Fund revenue forecast in the 2025-26 Governor's Budget by approximately $16.5 billion in the three-year budget window of fiscal years 2023-24, 2024-25 and 2025-26. The 2025-26 Governor's Budget reflects total reserve balances at the end of fiscal year 2025-26 of approximately $17 billion, including $10.9

billion in the BSA, \$4.5 billion in the SFEU, and \$1.5 billion in the Public School System Stabilization Account.

General Fund revenues and transfers for fiscal year 2025-26 are projected at \$225.1 billion; an increase of \$2.6 billion, or 1.2 percent, compared with a revised estimate of \$222.5 billion for fiscal year 2024-25. These General Fund revenues and transfers estimates include a transfer of \$7.1 billion from the BSA in fiscal year 2025-26. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue" and "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves."

The proposed General Fund expenditures for fiscal year 2025-26 are \$228.9 billion; a decrease of \$3.2 billion compared with a revised estimate of \$232.1 billion for fiscal year 2024-25. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures." A high-level review of the 2025-26 Governor's Budget main programs in fiscal year 2025-26 follows:

- <u>TK-12 Education under Proposition 98</u> — total funding of \$105 billion, of which \$75 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*TK-14 Education Under Proposition 98*."

- <u>Higher Education</u> — total funding of approximately \$29.1 billion for all major segments of higher education, including \$23.4 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*."

- <u>Health and Human Services</u> — total funding of \$127.1 billion, of which \$83.3 billion is from the General Fund, \$43.3 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*."

- <u>Corrections and Rehabilitation Agency</u> — total funding of \$17.6 billion, of which \$13.6 billion is from the General Fund and \$4 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 2025-26 Governor's Budget to the General Fund Budget estimate as of the 2024 Budget Act:

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

	As of 2024 Budget Act	As of 2025-26 Governor's Budget	
Fiscal Year:	**2024-25**	**2024-25**	**2025-26**
Prior Year Balance	$ 13,443	$ 35,877	$ 26,299
Revenues and Transfers	212,139	222,473	225,095
Total Resources Available	$ 225,582	$ 258,350	$ 251,394
Non-Proposition 98 Expenditures	$ 128,892	$ 146,998	$ 144,290
Proposition 98 Expenditures	82,612	85,053	84,602
Total Expenditures	$ 211,504	$ 232,051	$ 228,892
Fund Balance	$ 14,078	$ 26,299	$ 22,502
Reserve for Liquidation of Encumbrances[(b)]	10,569	18,001	18,001
Special Fund for Economic Uncertainties	3,509	8,298	4,501
Public School System Stabilization Account	$ 1,054	$ 1,157	$ 1,533
Safety Net Reserve Fund	$ 0	$ 0	$ 0
Budget Stabilization Account/"Rainy Day Fund"	$ 17,633	$ 18,045	$ 10,945

(a) See "Fiscal Year 2024-25 Revised Estimates in the 2025-26 Governor's Budget" for a description of certain changes from the estimate as of the 2024 Budget Act.
(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 forecast is generally incorporated into the Budget Act.

This section contains economic information compiled through late November 2024 in connection with the preparation of the 2025-26 Governor's Budget related to fiscal year 2025-

26 and is intended to show the major assumptions 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 May 2025 for use in the preparation of the May Revision for fiscal year 2025-26.

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 flow results.

Two factors that may impact the forecast, out-migration of high-income taxpayers and the PTET data, are described below.

Data on whether there has been out-migration of high-income taxpayers is inconclusive based on currently available state tax return data. State tax return data through 2022, which became available in April 2024, showed a decline in the number of personal tax returns with Adjusted Gross Income ("AGI") of $1 million or more in 2022, an expected result given the stock market correction in 2022.

The following table shows the number of personal tax returns reporting more than $1 million of income for each of tax years 2016 through 2022. 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. The decline in tax year 2022 is likely due primarily to decreasing asset prices and the stock market correction in 2022, which are estimated to have negatively impacted taxpayers' income.

Proposition 63 Tax Returns[(1)]
(Returns with more than $1 Million of Income)

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

Note: Figures are rounded to the nearest thousand.

(1) Tax data relating to Proposition 63 (which was approved by the voters in 2004 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 2022 (90 percent or 15.7 million out of 17.5 million resident returns in 2022), continues to show a small decline in personal income taxpayers with AGI above $200,000 in such year. Based on a portion of the number of tax returns filed in 2022, 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 25,000 in 2022 (out of a total of 1.8 million taxpayers in the IRS sample). This is slightly lower than 27,000 in 2021 but still up from 19,000 in 2020, 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 2024 suggests that, on net, California lost approximately 6,000 households with income over $200,000 in 2023. The ACS is a nationwide survey that has an annual sample size of about 3.5 million addresses (a relatively small sample), 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 PTET was enacted in the 2021-22 Budget to address the state and local taxes ("SALT") deduction limitation used in calculating individual federal income tax. Effective from tax year 2021 through tax year 2025, the PTET 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 them reduce federal tax liability by preventing inclusion of the elective payment amount in the $10,000 SALT deduction cap. See "Multi-Year Budget Projection" and "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue—Corporation Tax."

The 2025-26 Governor's Budget economic forecast incorporates, to the extent possible, developments and authorized policies through November 2024, including monetary policy responses to persistently high but cooling inflation and various international instabilities. The economic forecast for the 2025-26 May Revision (to be issued in May 2025) will be updated to include any relevant factors such as federal administration policies, monetary policies, and other developments between November 2024 and April 2025, including any impacts resulting from the 2025 fires in Los Angeles County.

National Economy. The U.S. labor market continued to add jobs, but at a slower rate as it moved beyond the period of rapid recovery from pandemic-induced losses and approaches steady-state levels consistent with historical trends. The nation reached its record-low (since 1953) unemployment rate of 3.4 percent in January and April 2023 and was at 4.1 percent in September 2024, the latest available data when finalizing the 2025-26 Governor's Budget economic forecast. The U.S. added an average of 200,000 jobs per month in the first nine months of 2024, considerably less than the 264,000 average monthly jobs added during the same period in 2023, and just above the 190,000 average monthly job gain from 2015 to 2019.

As the labor market remained relatively strong, inflation continued to decelerate as the Federal Reserve increased target interest rates 11 times by a cumulative 5.25 percentage points between March 2022 and July 2023. After holding rates steady for over a year, the Federal Reserve reduced its target interest rate range by 0.5 percentage point in September 2024 to the range of 4.75 percent to 5 percent. U.S. inflation slowed to 2.6 percent year-over-year as of October 2024, substantially lower than its most recent peak of 9.1 percent in June 2022. Shelter inflation, the largest component of services, has been slow to moderate. It peaked most recently at 8.2 percent in March 2023 and stood at 4.9 percent as of October 2024, despite much smaller increases in market rents for over a year. The shelter component is projected to ease to historical rates of below 3 percent by late 2025.

U.S. real gross domestic product ("GDP") grew at an annualized rate of 3 percent in the second quarter of 2024 following higher than 2.4 percent growth in all but one of the previous eight quarters, buoyed by strong personal consumption. The 2025-26 Governor's Budget economic forecast projects national economic activity to have continued growth driven again by strong but slowing personal consumption. Growth is projected to moderate into 2026 due to the impacts of restrictive monetary policy and then return to around 1.8 percent by 2027 in line with steady-state growth trends after projected rate cuts from the Federal Reserve. In the 2024-25 May Revision economic forecast, credit conditions were projected to ease beginning in late 2024 as inflation cooled. U.S. GDP is projected to recover to steady-state growth rates of between 1.5 percent and 2 percent through 2028.

The uncertain trajectory of inflation and the monetary policy response poses short-term risks and may further affect economic growth. See "ECONOMIC AND BUDGET RISKS." The economic forecast for the May Revision for fiscal year 2025-26 will incorporate additional economic developments arising between November 2024 and April 2025. See "Economic Assumptions Underlying the 2025-26 Governor's Budget."

California Economy. California remained the fifth largest economy in the world in 2023, with a GDP of nearly $3.9 trillion. While the pace of job growth nearly halved from 2022 to 2023, California recovered all of the over 2.7 million nonfarm payroll jobs lost at the onset of the COVID-19 pandemic in March and April 2020 by July 2022. The stronger nonfarm job recovery was driven by gains in high-wage sectors which recovered to their pre-pandemic February 2020 level in December 2021, followed by low-wage sectors in November 2022. (High- and low-wage sectors are defined as industry sectors with average wages above or below the 2022 statewide average wage for all industries, which was previously defined by the 2019 statewide average wage.) California added an average 15,000 nonfarm jobs monthly during 2024. That was higher than the monthly average gain of approximately 12,900 jobs in 2023, but about half of the monthly average gain of 29,800 jobs from 2015 to 2019. The state's nonfarm job gains accounted for 10 percent of the 4.5 million U.S. jobs added in 2022 and 5.1 percent of national gains in 2023, below its historical share of U.S. nonfarm employment of around 12 percent. In the first nine months of 2024, the state added an average of 16,500 jobs per month, 8.3 percent of the national average of 200,000 in the same period. California's nonfarm job growth is projected to slow through 2026, generally in line with the projected slowing of U.S. real GDP growth. Nonfarm employment growth has shown indications of reverting to historical trends and entering a new normal after the rapid post-pandemic recovery period. Also, the still high-interest rate environment is projected to create tighter credit conditions that would curtail job growth in credit-sensitive sectors.

Unlike the state's nonfarm jobs recovery, California's labor force had yet to recover to its pre-pandemic February 2020 level as of September 2024 after growing by 1.1 percent in 2022, a rate not seen since the 2000s, and slowed to annual average growth of 0.7 percent in 2023. Only 81 percent of the just over 1 million people who left the workforce in the first three months of the COVID-19 pandemic had returned as of September 2024, as the labor force grew by just 54,500 in the first nine months of 2024, after growing by 117,500 during 2023, below the 2019 pre-pandemic growth of 170,000. The lower labor force growth seen in recent years compared to the pre-pandemic period stems from the slowdown in recovery momentum as California's labor force gets closer to its pre-pandemic level, coupled with a decline in the state's population from 2021 to 2023 and only modest growth in 2024 compared to relatively robust growth prior to the pandemic. California's labor force is projected to continue growing, though at a slower rate of 0.3 percent in 2024 and 2025, before growing at a slightly higher rate of 0.4 percent beginning in 2026, partially due to revised population projections, especially for working-age individuals between the ages of 16 and 64. California's unemployment rate averaged 4.3 percent and 4.7 percent in 2022 and 2023, respectively. The state's unemployment rate fell to its record low of 3.8 percent in August 2022 and had increased 1.5 percentage points to 5.3 percent by September 2024. The state's unemployment rate is projected to remain at around 5.3 percent through early 2025 as current tight financial conditions soften the labor market. The annual average unemployment rate is projected to moderate from 5.3 percent in 2024 to 4.7 percent by 2028.

As with the nation, California's inflation peaked at 8.3 percent in June 2022 and slowed to 2.7 percent by August 2024, the latest data available when finalizing the 2025-26 Governor's Budget economic forecast. Inflation became increasingly driven by backward-looking shelter inflation, which is based on rental contracts over a fixed period (for example, 6 months or 12 months) and represents about two-fifths of the overall California inflation index. Therefore, shelter inflation tends to lag other components. Shelter inflation is projected to ease, slowing to historical rates of between 3 and 3.5 percent starting in 2025.

California headline inflation is projected to decelerate as the labor market cools due to the Federal Reserve's tight monetary policy and contract rents decrease. California inflation is projected to return to about 0.4 percentage point higher than U.S. inflation beginning in 2026, consistent with historical trends. The state's inflation rate generally exceeds the nation's due to typically higher increases in housing and energy costs.

The state's highest paying sectors (information and finance in particular) saw significant wage declines in 2022, due largely to much lower levels of irregular payments such as bonuses and options, as rising interest rates contributed to a 19.4 percent decline in the S&P 500 stock index over the course of the year. Thus, California's average wages declined by 0.7 percent in 2022 after strong growth of 11.2 percent in 2020 and 7.8 percent in 2021. Wage growth recovered to 3.3 percent in 2023 with the high-wage sectors bouncing back faster than the low-wage sectors. The 2025-26 Governor's Budget projects California average wage to grow 6.4 percent in 2024, due to large increases in high-wage sectors, especially in the information and professional and business services sectors, but to slow to 3.4 percent growth in 2025 as the Federal Reserve winds down its current tight monetary policy, inflation eases, and employment growth slows. Average wages are then projected to grow by 3.7 to 4 percent annually from 2026 to 2028, similar to the growth of around 4 percent in 2018 and 2019, before the COVID-19 pandemic began.

Property income is comprised of interest, rental, and dividend income. Interest income growth slowed sharply in 2024, starting a quarter or two after the Federal Reserve started to reduce the federal funds rate as is the typical pattern. The growth in rental income, which is a lagging indicator as it represents contract rents from leases signed over the previous 12 months and tends to follow shelter inflation, is projected to peak at 9.5 percent in 2025. Rental income growth is projected to slow to 4.6 percent in 2028 as rental prices begin to ease in line with slowing shelter inflation. Dividend income growth is projected to show strength assuming the stock market continues to perform well. The 2025-26 Governor's Budget economic forecast assumes California personal income growth reverts to its historical growth trends in 2027 and 2028, averaging 5 percent throughout the forecast window (2024 through 2028).

California's residential construction sector continues to be constrained by high interest rates. In 2023, residential permits declined 2.9 percent from 2022 to around 110,000 permitted units. The 2025-26 Governor's Budget economic forecast projects permits to remain sluggish in 2024, with total units declining by 6.1 percent from 2023 as high interest rates slow the demand for housing as well as make building inputs and construction loans more expensive. Single-family units, which declined in 2022 and 2023, are projected to rebound in 2024, but multi-family units are estimated to contract by 21.5 percent, the largest annual decline since 2009 following the Great Recession. Residential permits are then projected to begin growing at a faster pace from 2025 through 2028 as the Federal Reserve is projected to decrease interest rates, making mortgages and construction loans more affordable and boosting production. See "Economic Assumptions Underlying the 2025-26 Governor's Budget."

In line with the 2025-26 Governor's Budget projections for the U.S. economy, California's economy is projected to continue growing, albeit at a slowing rate, and state inflation is projected to continue to moderate as the Federal Reserve maintains its still restrictive policy. California's nonfarm payroll job growth is projected to slow in early 2025 and into 2026, generally in line with U.S. real GDP projections. There are a number of risk factors that could lead to slower growth, the biggest of which is the uncertainty about policy by the new federal administration, including tariffs and immigration policy. Other risks also remain, including if inflation is slow to further cool or starts to increase again, if the Federal Reserve pauses or reverses course on interest rate cuts, if high interest rates curtail demand by more than projected, and if there is a resurgence of tech sector layoffs, or if there are disruptions to the oil market due to global conflicts.

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

Economic Assumptions Underlying the 2025-26 Governor's Budget

The revenue and expenditure estimates and projections incorporated into the 2025-26 Governor's Budget are based upon historical data and projections of the global, national, and

California economies in general in calendar years 2024 through 2028. 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 November 2024 and will not be updated again until late April 2025 for use in the 2025-26 May Revision, which will be released by May 14, 2025.

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TABLE 2
Selected United States and California Economic Data

	2022	2023	2024	2025	2026	2027	2028
United States							
Nominal gross domestic product, $ in billions	$26,007	$27,721	$29,146	$30,395	$31,709	$32,937	$34,274
Real gross domestic product, percent change	2.5%	2.9%	2.7%	2.1%	1.8%	1.7%	1.8%
Contributions to real GDP growth:							
Personal consumption expenditures	2.1%	1.7%	1.8%	1.6%	1.4%	1.6%	1.7%
Gross private domestic investment	1.1%	0.0%	0.8%	0.5%	0.3%	0.1%	0.3%
Net exports	-0.4%	0.5%	-0.3%	-0.2%	0.0%	-0.0%	-0.1%
Government purchases of goods and services	-0.2%	0.7%	0.5%	0.1%	0.0%	-0.0%	-0.0%
Personal income, $ in billions	$22,089	$23,403	$24,748	$25,902	$27,211	$28,473	$29,757
Corporate profits, percent change	5.3%	4.6%	10.4%	2.0%	0.7%	0.8%	0.7%
Housing permits, thousands (1)	1,680	1,511	1,471				
Housing starts, thousands	1,552	1,421	1,353	1,370	1,398	1,410	1,457
Median sales price of existing homes (2)	$432,950	$426,525	418,950				
Federal funds rate, percent	1.7%	5.0%	5.1%	3.8%	2.6%	2.6%	2.6%
Consumer price index, percent change	8.0%	4.1%	2.9%	2.3%	2.2%	2.2%	2.3%
Unemployment rate, percent	3.6%	3.6%	4.0%	4.3%	4.5%	4.6%	4.5%
Civilian labor force, millions	164.3	167.1	168.2	169.5	170.3	170.8	171.3
Nonfarm payroll employment, millions	152.5	156.1	158.6	159.9	160.3	160.5	160.9
California							
Personal income, $ in billions	$3,004	$3,166	$3,379	$3,520	$3,683	$3,856	$4,036
Exports of goods, percent change (1)	6.5%	-3.9%	2.5%				
Housing permits, thousands	113	110	103	107	112	118	125
Housing unit net change, thousands	113	125	116				
Median sales price of existing homes (2)	$820,308	$815,177	$867,460				
Consumer price index, percent change	7.4%	3.9%	3.0%	2.3%	2.6%	2.6%	2.6%
Unemployment rate, percent	4.3%	4.7%	5.3%	5.2%	5.1%	4.9%	4.7%
Civilian labor force, in millions	19.2	19.3	19.4	19.4	19.5	19.6	19.7
Nonfarm payroll employment, in millions	17.7	17.8	18.0	18.1	18.3	18.4	18.5
Percent of total nonfarm employment							
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Manufacturing	7.6%	7.5%	7.2%	7.1%	7.0%	7.0%	6.9%
Trade, transportation, and utilities	17.7%	17.4%	17.2%	17.1%	17.1%	17.0%	16.8%
Information	3.5%	3.2%	3.0%	3.0%	3.0%	3.0%	3.1%
Financial activities	4.7%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%
Professional and business services	16.1%	15.6%	15.5%	15.5%	15.5%	15.6%	15.6%
Educational and health services	16.6%	17.3%	17.9%	18.1%	18.2%	18.3%	18.3%
Leisure and hospitality	10.9%	11.3%	11.3%	11.3%	11.2%	11.2%	11.2%
Other services	3.2%	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%
Government	14.3%	14.6%	14.8%	14.9%	14.9%	14.9%	14.9%

Note: Forecast based on data available as of November 2024.

Note: Percent changes calculated from unrounded data.

(1) Source: U.S. Census Bureau. No data after 2024.

(2) Source: California Association of Realtors. No data after 2024.

Source: Except as otherwise noted, State of California, Department of Finance, 2025-26 Governor's Budget Forecast.

Multi-Year Budget Projection

As required by Proposition 2, in connection with the 2025-26 Governor's Budget, the Department of Finance prepared a multi-year budget projection for the period through fiscal year 2028-29. The projection is based on current law as of January 2025, when the projection was finalized. The projection also reflects a variety of policies included in the 2025-26 Governor's Budget, including assumptions concerning revenues, expenditures, and forecasted future economic conditions. There can be no assurances that such assumptions will be achieved.

As shown in Table 3, the multi-year projection in the 2025-26 Governor's Budget reflects a balanced budget and a positive operating reserve balance (SFEU) in fiscal year 2025-26.

The 2025-26 Governor's Budget reflects operating deficits in fiscal years 2026-27, 2027-28, and 2028-29. Operating deficits projected in the outyear forecasts are not uncommon and should 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 $35.9 billion in fiscal year 2024-25, 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 2024-25. 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.

On a year-over-year basis, revenues and transfers (excluding transfers to the BSA) are estimated to have increased 8.9 percent, or $15.9 billion, in fiscal year 2023-24. This increase reflects a resumption of strong revenue growth following fiscal year 2022-23, when revenues and transfers (excluding transfers to the BSA) declined more than 25 percent due to a significant revenue correction following two years of record growth due in large part to federal fiscal stimulus and surging stock prices. Despite the 25 percent correction, revenues and transfers (excluding transfers to the BSA) in fiscal year 2022-23 remained 24.6 percent above the pre-pandemic levels in fiscal year 2018-19. Revenues and transfers (excluding transfers to the BSA) are expected to grow another 11.9 percent, or $23.2 billion, in fiscal year 2024-25, with the above-normal growth largely due to transfers and loans increasing by $8.9 billion, due largely to a $6.2 billion transfer from the Coronavirus Fiscal Recovery Fund of 2021 and the temporary credit limitation and net operating loss suspension enacted by the 2024 Budget Act increasing revenues by $7.3 billion. (The Coronavirus Fiscal Recovery Fund was used through December 31, 2024 to account for moneys received from the federal government to pay expenses and replace revenues lost due to the COVID-19 pandemic.) Growth in revenues and transfers (excluding transfers to the BSA) on a year-over-year basis is projected to slow considerably to 0.2 percent, or $379 million, in fiscal year 2025-26, with the low year-over-year growth largely attributable to transfers and loans decreasing by $8.5 billion. Revenues and transfers (excluding transfers to the BSA) are projected to increase year-over-year by 2.9 percent in fiscal year 2026-27, 2.3 percent in fiscal year 2027-28, and 3.3 percent in fiscal year 2028-29, with these somewhat slow growth rates largely attributable to the impact of the temporary credit limitation and net operation loss suspension, which results in revenue losses starting in fiscal year 2027-28. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES - Sources of

Tax Revenue" for a discussion of the temporary credit limitation and net operating loss suspension.

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

	Fiscal Year				
	2024-25	**2025-26**	**2026-27**	**2027-28**	**2028-29**
Prior Year Balance	$ 35,877	$ 26,299	$ 22,501	$ 9,212	$ (9,936)
Revenues and Transfers[a]	217,616	217,995	224,395	229,487	237,112
Transfer from/(to) the BSA[b]	4,857	7,100	--	--	--
Total Resources Available	$258,350	$251,393	$246,896	$238,700	$227,176
Proposition 98 Expenditures	$85,053	$84,603	$88,068	$90,246	$93,635
Non-Proposition 98 Expenditures	146,998	144,290	149,616	158,390	158,847
Prop 2 Infrastructure Deferred Maintenance[c]	--	--	--	--	--
Total Expenditures	$232,051	$228,892	$237,684	$248,636	$252,482
Fund Balance:	$ 26,299	$ 22,501	$ 9,212	$ (9,936)	$ (25,306)
Reserve for Liquidation of Encumbrances	$ 18,001	$ 18,001	$ 18,001	$ 18,001	$ 18,001
Operating Reserve (SFEU)	8,298	4,501	(8,788)	(27,937)	(43,306)
Safety Net Reserve and PSSSA	1,157	1,533	1,533	1,533	1,533
Budget Stabilization Account/ ("Rainy Day Fund")	18,045	10,945	10,945	10,945	10,945
Operating Surplus/(Deficit) with BSA Transfer	$(9,578)	$(3,797)	$(13,289)	$(19,149)	$(15,369)

Note: Totals may not add due to rounding.

[a] The Proposition 30 and Proposition 55 revenue amounts projected in the 2025-26 Governor's Budget are shown below (in millions):

	2024-25	**2025-26**	**2026-27**	**2027-28**	**2028-29**
Prop 30/55 – Income Tax	$10,979	$11,704	$12,192	$12,664	$13,156

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

[c] Consists of transfers pursuant to Proposition 2 after transfers of required amounts to the BSA. See "DEBTS AND LIABILITIES UNDER PROPOSITION 2."

Source: State of California, Department of Finance.

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CURRENT STATE BUDGET

The 2024 Budget Act projected an estimated General Fund shortfall of $46.8 billion for fiscal year 2024-25, before corrective actions were taken in the 2024-25 Budget. This shortfall was largely driven by the substantial decline in the stock market in 2022 that negatively impacted revenues in fiscal year 2022-23, as well as the unprecedented delay in critical income tax collections for tax year 2022. Most cash receipts data relating to the prior tax year is normally available by April, and is used in the development of the May Revision. In 2023, due to California's conformity with federal tax filing and payment deadline delays for over 99 percent of California taxpayers deemed impacted by winter storms, a significant portion of the state's revenues from personal income tax and corporation income tax attributable to tax year 2022 (normally due in January through October) was not due until November 2023. While the May Revision for fiscal year 2023-24 and the 2023 Budget Act anticipated a significant decline in revenues in fiscal year 2022-23, actual revenues (excluding transfers) for fiscal year 2022-23 as of the 2024 Budget Act declined 19.8 percent year-over-year, which was $27.1 billion, or 13.1 percent, lower than projected in the 2023 Budget Act. The 2024 Budget Act's projected revenues in fiscal years 2023-24 and 2024-25 remained lower than projected in the 2023 Budget Act, due to the lower base of revenue in fiscal year 2022-23, by $17.8 billion and $4.2 billion, respectively.

This projection of decreased revenues led to projected operating deficits in future fiscal years. The Legislature must enact a balanced budget annually; operating deficits have occurred (and been addressed) in the past, and if such deficits occur again, they will be addressed as mandated by the balanced budget requirement and as estimates are refined.

To address the projected General Fund shortfall for fiscal year 2024-25, the state withdrew from the state's BSA ($4.9 billion), suspended a transfer to the BSA ($1.5 billion), withdrew from the Safety Net Reserve Fund ($900 million), reduced expenditures ($16 billion), increased revenue ($11.8 billion), accessed internal borrowing ($1.8 billion), delayed spending to future fiscal years ($3.1 billion), shifted expenditures from the General Fund to special funds ($6 billion), and deferred expenditures to fiscal year 2025-26 or later fiscal years ($2.1 billion, of which $1.6 billon consisted of deferring employee payroll costs from June to July).

Despite the decreased revenue projections, fiscal year 2024-25 personal income, corporate income, and sales tax revenues were estimated to be 38.5 percent higher than pre-pandemic levels in fiscal year 2018-19, demonstrating overall growth. Thereafter, personal income, corporate income, and sales tax revenues are projected to revert to levels consistent with a normal revenue growth trajectory, absent the revenue surge during the COVID-19 pandemic and subsequent correction.

The state has large cash reserves that allowed the continuance of operations in conjunction with budget solutions adopted to account for the projected shortfall in the enacted budget for fiscal year 2024-25. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves" and "CASH MANAGEMENT."

The 2024 Budget Act prioritized services and programs that Californians depend on, while making necessary adjustments to ensure long-term fiscal stability.

General Fund revenues and transfers for fiscal year 2024-25 were projected at $212.1 billion; an increase of $22.7 billion, or 12 percent, compared with a revised estimate of $189.4 billion for fiscal year 2023-24. These General Fund revenues and transfers estimates included a transfer of $0.9 billion into the BSA in fiscal year 2023-24, and a transfer of $4.9 billion from the BSA in fiscal year 2024-25. These BSA transfers have the effect of lowering (transfer to) or raising (transfer from) reported levels of General Fund revenues and transfers. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue" and "—Budget Reserves."

The enacted General Fund expenditures for fiscal year 2024-25 were $211.5 billion; a decrease of $11.6 billion compared with a revised estimate of $223.1 billion for fiscal year 2023-24. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures." A high-level review of the 2024 Budget Act main programs in fiscal year 2024-25 follows:

- <u>TK-12 Education under Proposition 98</u> — total funding of $101 billion, of which $73 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*TK-14 Education Under Proposition 98*."

- <u>Higher Education</u> — total funding of approximately $29.4 billion for all major segments of higher education, including $23.4 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*."

- <u>Health and Human Services</u> — total funding of $114.4 billion, of which $71.4 billion is from the General Fund, $42.8 billion is from special funds, and $0.2 billion is from bond funds. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Health and Human Services*."

- <u>Corrections and Rehabilitation Agency</u> — total funding of $18.2 billion, of which $14.2 billion is from the General Fund and $4 billion is from special funds. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Public Safety*."

Fiscal Year 2024-25 Revised Estimates in the 2025-26 Governor's Budget

Four estimates of the General Fund's condition and activity during fiscal year 2024-25 have been updated to reflect the latest economic forecast prepared in connection with the 2025-26 Governor's Budget. These four revised estimates include the projected beginning and ending balances of the General Fund for fiscal year 2024-25, as well as the revised estimates of revenues (including net transfers) and expenditures for fiscal year 2024-25.

Beginning Fund Balance. In the 2025-26 Governor's Budget, the estimate of the beginning General Fund balance for fiscal year 2024-25 is $22.4 billion higher than was previously estimated in the 2024 Budget Act ($35.9 billion compared to $13.5 billion). This increase in beginning fund balance for fiscal year 2024-25 is primarily due to past year adjustments to spending that decrease the estimate of spending by $15.4 billion, a revised estimate of the beginning balance of the prior year that includes an increase of $3.1 billion, and a revised estimate of revenues and transfers in the past year increasing revenues and transfers by $3.9 billion.

Revenues and Transfers. As shown in Table 1, the 2025-26 Governor's Budget estimate for fiscal year 2024-25 General Fund revenues and transfers has increased by $10.3 billion as compared to the 2024 Budget Act forecast ($222.5 billion compared to $212.1 billion), primarily due to higher tax revenues.

Expenditures. Also shown in Table 1, the 2025-26 Governor's Budget estimate of General Fund expenditures for fiscal year 2024-25 increased $20.5 billion from the 2024 Budget Act estimate ($232 billion compared to $211.5 billion), primarily due to carrying forward the balance of one-time investments not fully expended in the year of appropriation from previous years to be expended in 2024-25.

Ending Fund Balance. The 2025-26 Governor's Budget estimates an ending balance in the SFEU of $8.3 billion for fiscal year 2024-25, which is $4.8 billion higher than the 2024 Budget Act estimate of $3.5 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 enacted General Fund revenues, expenditures, and fund balances for fiscal years 2023-24 through 2025-26 from the 2025-26 Governor's Budget in Table 4. The State Controller provides actual accounting information for fiscal year 2022-23 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			
	2022-23	Estimated 2023-24	Estimated 2024-25	Projected 2025-26
Fund Balance–Beginning of Period	$ 69,182	$ 32,104	$ 35,877	$ 26,299
Prior Year Adjustment	(4,729)	18,099	–	–
Adjusted Beginning Fund Balance	**$ 64,453**	**$ 50,203**	**$ 35,877**	**$ 26,299**
Revenues	$ 182,416	$ 192,315	$ 208,989	$ 217,824
Other Financing Sources				
Transfers from Other Funds[(b)]	9,592	(595)	13,046	7,452
Other Additions	239	1,549	438	(182)
Total Revenues and Other Sources	**$ 192,247**	**$ 193,269**	**$ 222,473**	**$ 225,095**
Expenditures				
State Operations[(c)]	$ 61,731	$ 50,577	$ 51,432	$ 50,608
Local Assistance [(d)]	151,756	156,552	179,769	177,799
Capital Outlay	1,806	465	850	485
Unclassified	--	--	--	--
Other Uses	--	--	--	--
Transfer to Other Funds[(b)]	9,303	--	--	--
Total Expenditures and Other Uses	**$ 224,596**	**$ 207,595**	**$ 232,051**	**$ 228,892**
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	$ (32,349)	$ (14,325)	$ (9,578)	$ (3,798)
Reserves Fund Balances				
Reserve for Liquidation of Encumbrances	18,001	18,001	18,001	18,001
Reserve for the Unencumbered Balances of Continuing Appropriations[(e)]	35,897	--	--	--
SFEU[(f)]	3,300	17,876	8,298	4,500
Unreserved–Undesignated[(f)]	(25,094)	--	--	--
Fund Balance–End of Period	**$ 32,104**	**$ 35,877**	**$ 26,299**	**$ 22,501**

General Note: Totals may not add due to rounding.

(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 and/or from the BSA as *expenditure* transfers on the Transfer to Other Funds line. 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 $5.5 billion for fiscal year 2025-26, 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. 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 2019-20 through 2023-24" under "STATE DEBT TABLES."

(d) Includes transfers to and from the PSSSA.

(Footnotes Continued on Following Page)

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[e] 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.

[f] SFEU: 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 year 2022-23 provided by State of California, Office of the State Controller. Estimated and projected amounts for fiscal years 2023-24, 2024-25 and 2025-26 provided by State of California, Department of Finance.

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General Fund Revenue and Expenditure Assumptions

The table below presents previous estimates from the 2024 Budget Act and revised estimates and projections from the 2025-26 Governor's Budget.

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

	Fiscal Year		
General Fund Revenue Source	**2024-25 Enacted June 2024**	**2024-25 Revised January 2025**	**2025-26 Projected January 2025**
Personal Income Tax	$ 116,556	$ 121,106	$ 133,685
Sales and Use Tax	34,045	34,110	35,121
Corporation Tax	42,557	43,199	37,697
Insurance Tax	4,016	4,064	4,341
Alcoholic Beverage Taxes and Fees	422	423	428
Cigarette Tax	41	37	35
Motor Vehicle Fees	46	46	46
Other[(a)]	9,530	14,631	6,642
Subtotal	**$ 207,213**	**$ 217,616**	**$ 217,995**
Transfer from/(to) the Budget Stabilization Account "Rainy Day Fund"	4,926	4,857	7,100
Total General Fund Revenues and Transfers	**$ 212,139**	**$ 222,473**	**$ 225,095**

General Fund Expenditures by Agency	**2024-25 Enacted June 2024**	**2024-25 Revised January 2025**	**2025-26 Projected January 2025**
Legislative, Judicial and Executive	$ 7,872	$ 10,862	$ 8,198
Business, Consumer Services & Housing	1,541	3,951	517
Transportation	669	721	754
Natural Resources	5,389	8,164	5,426
Environmental Protection	218	594	137
Health and Human Services	71,360	76,248	83,385
Public Safety (includes Corrections and Rehabilitation)	14,176	14,044	13,637
TK-12 Education	81,319	84,135	83,087
Higher Education	23,477	23,064	23,324
Labor and Workforce Development	949	1,121	963
Government Operations	2,767	3,778	3,590
General Government			
Non-Agency Departments	1,310	2,413	1,303
Tax Relief/Local Government	653	653	556
Statewide Expenditures[(b)]	(196)	2,303	4,016
Total General Fund Expenditures	**$ 211,504**	**$ 232,051**	**$ 228,892**

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

(b) 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 2025-26 Governor's Budget 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:

- Inflation. Historically, California inflation rates have generally been somewhat higher than the nation's inflation rates due to the state's higher increases in housing and energy prices. California inflation peaked at 8.3 percent year-over-year in June 2022 but has slowed to 2.5 percent as of October 2024 (the latest available data in January 2025). In comparison, U.S. inflation was 1.8 percent and California inflation was 2.9 percent in 2019. High inflation in 2021 and 2022 was largely driven by supply chain disruptions and demand shifts from services to goods, both of which were due to the COVID-19 pandemic. These issues have abated. Inflation would be even lower without the shelter component, which accounts for 40 percent of the entire California index, generally lags other components and has slowed from 6.7 percent in March 2023 to 4.2 percent in October 2024, despite the much slower growth in market rents since late 2022.

  The Federal Reserve responded to elevated inflation by increasing the target federal funds rate eleven times from March 2022 to July 2023 to a target range of 5.25 percent to 5.5 percent. More recently, the Federal Reserve decreased its target rates by a total of 1 percentage point from September 2024 to December 2024, and has indicated it expects to continue to cut target rates in 2025 as inflation nears its target level of around 2 percent. Nonetheless, the uncertain path of future monetary policy contributes to economic risk.

- Uncertain Federal Policy. Tariffs of the size and scale proposed by the new federal administration would most likely be highly inflationary and may lead the Federal Reserve to pause interest rate cuts or reverse course and start raising rates again. Starting March 4, 2025, 25 percent tariffs on imports from Canada and Mexico took effect as will doubling of the previously announced 10 percent universal tariffs on all goods from China. China retaliated by imposing 15 percent duties on U.S. coal and liquefied natural gas products, and a 10 percent tariff on crude oil, agricultural machinery and large-engine cars that it imports from the U.S. Additionally, the new federal administration imposed a 25 percent blanket tariff on all steel imports and increased tariffs on aluminum imports to 25 percent, from the original 10 percent tariff imposed on March 2018.

  In fiscal year 2024-25, the 2025-26 Governor's Budget anticipates $168 billion in federal funds, including $107.5 billion for Medi-Cal and significant funding for education, highway safety, human services and public health, natural resources and the environment, and labor and employment. The President has recently issued a series of executive orders, and the Office of Management and Budget has issued guidance, that suspend or limit federal funding to state and local governments. While at least one of those executive orders has been temporarily enjoined, there is now a higher degree of uncertainty regarding this federal funding and the state may be adversely impacted by cuts by Congress or the executive branch. The state cannot predict any future changes in federal policy or the potential impact on any related federal funding the state may or may not receive in the future, or how that may affect the General Fund.

- High Interest Rates and Threat of Recession. While the interest rates that households and businesses pay on their debt do not generally move in lockstep with the target federal funds rate, Federal Reserve rate increases restrict the amount of credit in the financial system, which causes key interest rates such as on mortgages, credit cards, and bank loans to rise. The current high interest rates have slowed demand in some sectors of the economy: for example, average 30-year mortgage rates were below 4 percent in early 2022 but have since risen sharply and have exceeded 6 percent since September 2022. In response, residential housing investment plummeted in 2022 and remains nearly 15 percent below its 2021 peak after declining again in the second and third quarters of 2024. While overall spending has held up enough to keep the economy growing, it is possible that interest rates will not decline by as much as expected over the forecast window and/or that they will hinder demand by more than expected, which could lead to slower-than-expected growth or even a recession. The 2025-26 Governor's Budget economic forecast assumes four rate cuts in 2025, but in December 2024, the Federal Reserve indicated it expects only two cuts in 2025 depending on the path of inflation. This would add an additional downside risk to the forecast since restrictive monetary policy can curtail interest rate-sensitive spending. If a recession were to occur, it would likely be relatively mild as the economy does not currently appear to have the sorts of significant imbalances that could trigger a severe recession.

  The revenue forecast underlying the 2025-26 Governor's Budget is based on a scenario that assumes continued but slowing economic growth and does not assume a recession. 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 not especially steep 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 significantly decline. Further, the high-paying technology industry contracted, which sharply reduced high-income taxpayers' earnings from irregular payments (bonuses, options, etc.). In contrast, the recent 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 a strong stock market performance. In contrast, in fiscal year 2022-23, revenues from personal income, corporate income and sales tax revenues are estimated to have decreased by around 20 percent even while the state's economy and employment have continued to expand. Accordingly, continued higher interest rates and any recession could materially adversely impact General Fund revenues and/or expenditures.

- Capital Gains Volatility. A significant amount of the state's tax revenue is derived from capital gains, whose share of total General Fund tax revenue ranged from around 10 percent to 13 percent from fiscal year 2014-15 through fiscal year 2021-22 but fell to 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 in fiscal years 2020-21 and 2021-22, respectively. The revenue forecast for the 2025-26 Governor's Budget projects capital gains realizations to account for 7.7 percent of total General Fund tax revenue in fiscal year 2023-24, 8.5 percent in fiscal year 2024-25 and 9.1 percent in fiscal year 2025-26. 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. 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 the stock market are performing in line 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 magnitude of potential revenue swings through fiscal year 2025-26 has likely decreased as revenues have already declined substantially from fiscal year 2021-22 and stabilized in fiscal year 2023-24, revenues could still end up significantly higher or lower than projected in fiscal year 2025-26, even if the economy and asset markets perform largely in line with expectations. Therefore, a range of revenue outcomes is possible under the economic assumptions underlying the 2025-26 Governor's Budget.

- Tax Deadline Delays. There has been an increasing incidence of tax deadline delays in recent years due to disasters, as evidenced by the tax deadline delays due to the COVID-19 pandemic and the federal disaster declarations resulting from severe winter storms in late 2022 and early 2023, and the San Diego County floods in January 2024. Additionally, due to the Palisades and Eaton wildfires in Los Angeles County, on January 11, 2025, the state announced conformity with the federal tax deadline delays to extend tax filing and payment deadlines due between January 7, 2025 and through October 15, 2025 to October 15, 2025 for taxpayers in Los Angeles County. Los Angeles County comprises approximately one-quarter of the state's population and accounted for 21 percent of the state's personal income tax liability, 28 percent of corporate tax liability, and 32 percent of pass-through entity elective tax (PTET) liability in tax year 2022. 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 2024-25 Budget shifted the authority from the Franchise Tax Board to the 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 2024-25 Budget 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.

- Global Relations and Trade. Markets for goods, services, and financial assets are globalized, and economic slowdowns in other countries or regions, geopolitical tensions, and deteriorating international trade relations may hamper the national and state economies. The course of the Russian invasion of Ukraine remains uncertain, although the war does not appear to have significantly affected the state's economy or budget to date. Neither have other geopolitical conflicts, and the 2025-26 Governor's Budget forecast does not project any worsening disruptions throughout the forecast window. The new federal administration's proposed tariffs are discussed above. These tariffs, other tariffs and other potential trade disruptions could create supply chain problems such as those caused by shutdowns of facilities during the COVID-19 pandemic. These effects could potentially reduce wages and employment in the short run and could trigger a change in the business model of companies that until now have based significant investment decisions on the assumption of generally free global trade.

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

- Housing Constraints. California continues to face a critical housing shortage despite issuing permits for about 113,000 residential housing units in 2022 and 110,000 in 2023, which represent modest declines from the 2021 total of about 119,600, the highest annual figure since 2006. Through the first eleven months in 2024, the state was on pace for another annual decline, to about 100,200 units permitted, which is less than the 2025-26 Governor's Budget projection of about 103,000 units permitted in 2024. As the Federal Reserve continues to loosen its monetary policy and interest rate cuts make both construction inputs and mortgages more affordable, the 2025-26

Governor's Budget economic forecast projects permitting to accelerate from 106,000 units permitted in the second half of 2025 to 125,000 units permitted in 2028. If permits translate into actual housing construction, then new development will help ameliorate the state's critical housing shortage. However, if inflation remains slow to cool, the Federal Reserve could pause interest rate cuts or even reverse course and increase interest rates. This would impede permitting, further exacerbating the state's housing needs. Low and moderate-income Californians continue to face increasing affordability issues affecting their decisions about where to live and work. Given the state's structural housing supply constraints and shortage, they will be especially vulnerable to housing price increases both in the rental and ownership markets.

While the damages from the 2025 Los Angeles County fires are still being assessed, the loss of such significant housing stock in an urban area is likely to generate spillover effects including increased owner and rental prices which will likely worsen affordability issues in Los Angeles County. Rapid rebuilding of the housing stock will likely face labor force and material challenges as the City of Los Angeles also prepares to host the 2028 Olympics.

Another factor that will likely impact the construction industry is the current federal immigration policy focusing on deporting undocumented immigrants. About 45 percent of the state's construction workforce is estimated to be undocumented. Along with deportations, which will likely take months or even years, there may be ancillary labor impacts as workers may opt to quit their jobs to avoid workplace raids. This may also lead to labor shortages in the construction industry, especially in trades that have a higher share of undocumented workers like plasterers, drywall installers, roofers, and painters. It will take time to hire and train other workers for these available positions, and wages and thereby construction costs may also increase.

Tariffs will likely also have a significant impact as there are estimates that 7 percent of all inputs used in residential construction in the U.S. originate in a foreign country. Softwood lumber and drywall material, both of which are essential for construction, are largely sourced from Mexico and Canada, two countries which are targets for increased tariffs. Other materials, including steel, aluminum and home appliances are also subject to additional tariffs. All of these factors will most likely lead to increased construction costs and projects becoming delayed or canceled, further impacting housing affordability.

- 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 were often addressed by 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 Budget Act utilized internal borrowing and a deferral of state employee payroll costs as budget solutions. Current or future budget challenges may be addressed with similar tools. The state still faces hundreds of billions of dollars in long-term pension and retiree healthcare cost pressures. See “STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs” and EXHIBIT 1—“PENSION SYSTEMS.”

- Climate Change. 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, drought, wildfires, floods 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 the state 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.

  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 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 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 and housing construction, 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 resulted in 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, such as those due to the Los Angeles fires, could likely get passed down to existing or prospective policyholders in the form of higher premiums or temporary surcharges, which may amplify the state’s lack of housing affordability.

The specific timing and severity of future fiscal impacts of climate change on the state budget is 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. Although the state has committed tens of billions of dollars in recent years from a combination of funding sources such as the General Fund, bond funds, and special funds, 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.

  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, California Highway Patrol, California Department of Technology and California Military Department 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. California's pandemic state of emergency ended on February 28, 2023, and the 2025-26 Governor's Budget economic forecast assumes that COVID-19 will not create any further major disruptions to national and international economies.

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 the categories of debts and liabilities the Administration considers eligible for accelerated payments under Proposition 2.

The 2025-26 Governor's Budget applies the Proposition 2 debt repayment funding to: (1) prefunding of state retiree health benefits ($385 million), (2) repayment of the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS, as further described below ($590 million), and (3) a supplemental pension payment toward the unfunded liability of CalPERS state plans ($1.5 billion).

The 2024 Budget Act used Proposition 2 debt repayment funding to prefund state retiree health benefits ($360 million), make a repayment toward the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS ($836 million), and make a supplemental pension payment toward the unfunded liability of the state employee pension plans ($337 million).

The total amounts of Proposition 2 debt repayment since 2017-18 (inclusive of the 2024 Budget Act payments and the 2025-26 Governor's Budget projections referenced above) is $16.9 billion, allocated as follows: 1) $3.2 billion to prefund state retiree health benefits, 2) $3.3 billion towards repaying the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS, 3) $8.5 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 (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 2025-26 Governor's Budget, the Department of Finance projects the supplemental pension payment will save an estimated $5.7 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 2024-25, a total of $3.122 billion in General Fund principal and interest repayments have been made (not inclusive of the allocated fiscal year 2025-26 amounts, which will be paid during the fiscal year). 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.

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TABLE 6
Debts and Liabilities under Proposition 2
2025-26 Governor's Budget
(Dollars in Millions)

	Fiscal Year				
	Outstanding Amount July 1, 2025[(a)]	**Projected 2025-26 Pay Down**	**Projected 2026-27 Pay Down**	**Projected 2027-28 Pay Down**	**Projected 2028-29 Pay Down**
State Retirement Liabilities (Unfunded Actuarial Estimate)					
State Retiree Health	$ 92,027	$ 385	$ 395	$ 405	$ 420
State Employee Pensions—SB 84 Loan[(b)]	0	590	556	556	556
State Employee Pensions[(c)]	69,515[(d)(e)]	1,452	1,455	1,505	1,490
Teachers' Pensions	85,571[(f)]	0	0	0	0
Judges' Pensions	2,437	0	0	0	0
Total	**$ 249,550**	**$ 2,427**	**$ 2,406**	**$ 2,466**	**$ 2,466**

(a) These amounts reflect unfunded actuarial liabilities measured as of June 30, 2023.

(b) As of January 1, 2025, the outstanding principal balance of the SB 84 Loan from all funds was $2.3 billion. 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 CalPERS state plans.

(d) The amount includes the unfunded liability for the 1959 Survivor Benefit Program, which is an estimated $32.4 million as of June 30, 2023.

(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 $8.391 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), plaintiffs 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 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. Plaintiffs 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. 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, 2023 (the "2023 Annual Comprehensive Financial Report") was released on December 13, 2024. It is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2023 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 2023 Annual Comprehensive Financial Report, including the Independent State Auditor's Report contained therein, the California State Auditor (the "State Auditor") issued a modified opinion on two components of the Basic Financial Statements and issued an unmodified opinion on each of the remaining components of the Basic Financial Statements, including the General Fund. A modified opinion, comprised of a qualified opinion, has been issued for Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the Federal Fund, and for governmental activities within the government-wide Statement of Net Position and Statement of Activities. The modified opinions are the result of ongoing financial accounting and reporting challenges experienced by the state's Employment Development Department ("EDD"), primarily related to difficulties estimating ineligible claims under the federally funded pandemic unemployment insurance programs administered by EDD. See "STATE FINANCES—OTHER ELEMENTS—Unemployment Insurance." For a more detailed explanation of these modified opinions see the Independent Auditor's Report beginning on the first page of the Financial Section of the 2023 Annual Comprehensive Financial Report. The State Auditor also issued modified opinions on certain components of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report"), the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021 (the "2021 Annual Comprehensive Financial Report") and the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 (the "2022 Annual Comprehensive Financial Report") but, in each case, issued an unmodified opinion on the General Fund.

According to the Independent State Auditor's Report, the financial statements contained in the 2023 Annual Comprehensive Financial Report, except as described above, present fairly, in all material respects, the respective financial position of each major fund.

On December 20, 2024, 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, 2023" (the "Auditor's 2023 Internal Control and Compliance Report"). The Auditor's 2023 Internal Control and Compliance Report includes conclusions of the State Auditor's Office regarding EDD's deficiencies in its accounting processes that contributed to a delay in the release of the 2023 Annual Comprehensive Financial Report and led to the issuance of the modified opinions mentioned above, as well as EDD's response and planned corrective actions. The Auditor's 2023 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 2023 Annual Comprehensive Financial Report, 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. According to the State Controller, the delay in completion of the state's Annual Comprehensive Financial Report began when state departments and the Office of the State Controller began transitioning to a new statewide accounting, budget, cash management and procurement information technology system called the Financial Information System for California ("FI$Cal"). The cumulative impact of the delays in the completion of the state's Annual Comprehensive Financial Reports for fiscal years 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23, have resulted in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024 (the "2024 Annual Comprehensive Financial Report"), and have impacted the ability of the state to provide basic financial statements by the filing due date of March 31, 2025. The 2024 Annual Comprehensive Financial Report is currently expected to be issued in August 2025 or thereafter.

The State Controller is committed to restoring the timely issuance of the Annual Comprehensive Financial Report and continues to engage in collaborative discussions with the Legislature, other state officials and state departments, including the State Auditor's Office, to evaluate, initiate, and monitor the efforts needed to increase the timeliness of the release of the state's basic financial statements.

The 2023 Annual Comprehensive Financial Report describes certain financial information of the state as of June 30, 2023. 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, 2023 through June 30, 2024, and July 1, 2024 through February 28, 2025, are included as EXHIBIT 2 to APPENDIX A. If the State Controller issues such a monthly report between the date on which a preliminary offering document for the securities offered in connection with this APPENDIX A is delivered and the date on which the related final offering document is delivered, such monthly report will be included in such final offering document.

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

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. 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*."

Sources of Tax Revenue

The economy has generally performed better than expected at the enactment of the 2024 Budget Act through November 2024 when the 2025-26 Governor's Budget forecast was finalized, which led to a meaningful increase to the Governor's Budget economic forecast in the near-term and to modest upward revisions in the long-term. In particular, the economic forecast's personal income growth projection for California in 2024 is 6.7 percent, compared to 4.6 percent projected in the 2024 Budget Act, due in part to higher actual and projected wage growth tied to technology sectors. Additionally, the stock market rose substantially in 2024, with the S&P 500 outperforming the 2024 Budget Act forecast by 13 percent in the third quarter of 2024.

From April through November 2024, General Fund revenues were $7.5 billion above the 2024 Budget Act forecast, with cash receipts from personal income tax and corporation income tax combined $6.9 billion higher than projected. Personal income tax receipts were up $4.9 billion due to non-withholding payments exceeding forecast by $2.7 billion, withholding exceeding forecast by $783 million, and refunds being $1.5 billion below forecast. Corporation tax receipts were up $2 billion as payments, including PTET payments, were $2.8 billion above forecast and refunds were $755 million higher than assumed in the 2024 Budget Act forecast.

The stronger-than-anticipated performance of the economy, stock market, and cash receipts through November 2024, combined with an improved economic outlook result in an increase to the revenue forecast for the 2025-26 Governor's Budget. The stronger stock market and higher economic wage growth tied to technology sectors disproportionately affect high-income earners, notably through higher capital gains realizations and withholding receipts, leading the personal income tax forecast to be increased by $2.2 billion in fiscal year 2023-24; $4.6 billion in fiscal year 2024-25, and $5.9 billion in fiscal year 2025-26 relative to the 2024 Budget Act before the 2025-26 Governor's Budget policy proposals are accounted for.

The corporation income tax forecast is higher by $1 billion in fiscal year 2023-24, $643 million in fiscal year 2024-25, and $819 million in fiscal year 2025-26 before the 2025-26 Governor's Budget policy changes are accounted for as a result of lower expected use of business tax credits and net operating loss ("NOL") deductions due mainly to an upgraded forecast for the 2024 Budget Act policy to temporarily limit the use of business tax credits and suspend the use of NOLs for large businesses. Investment revenue earned on the state's pooled assets and accrued to the General Fund is expected to be higher by $75 million in fiscal year 2023-24, $1.1 billion in fiscal year 2024-25, and $883 million in fiscal year 2025-26. In total, revenues excluding transfers and policy proposals are upgraded by $3.8 billion in fiscal year 2023-24, $4.8 billion in fiscal year 2024-25, and $7.8 million in fiscal year 2025-26.

Due to the wildfires in Los Angeles County, on January 11, 2025, the state announced that the Franchise Tax Board was extending personal and corporate income tax filing and payment deadlines due between January 7, 2025 and through October 15, 2025 to October 15, 2025 for taxpayers in Los Angeles County. This tax filing and payment deadline delay was in alignment with the federal tax deadline delay announced on January 10, 2025 by the IRS due to the federally-declared disaster for Los Angeles County. Los Angeles County comprises approximately one-quarter of the state's population and accounted for a little more than 21 percent of the state's personal income tax liability, 28 percent of corporate tax liability, and 32 percent of PTET liability in tax year 2022.

The 2025-26 Governor's Budget proposes to extend the PTET from 2026 through 2030, subject to the federal State and Local Tax Deduction cap being extended after 2025, and allows taxpayers to make late prepayments subject to a reduction in the credit generated from the late payment. Previously, taxpayers who made late prepayments would be excluded from the PTET program for that year.

The following is a summary of the state's major tax revenues and transfers. In fiscal years 2024-25 and 2025-26, 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 transfers to the BSA in fiscal years 2016-17 through 2021-22 and fiscal year 2023-24, and to the Safety Net Reserve Fund in fiscal years 2018-19, 2020-21, and 2021-22, that are represented as reductions in the total amount of other General Fund revenues and transfers. Additionally, there are transfers from the BSA, the Coronavirus Fiscal Recovery Fund of 2021, and the Safety Net Reserve Fund to the General Fund in fiscal year 2024-25 and a transfer from the BSA to the General Fund in 2025-26. These transfers, also referred to as withdrawals, represent increases in the total amount of other General Fund revenues and transfers.

Cost recovery revenues for federal reimbursement of expenses related to the COVID-19 pandemic and wildfires are expected to positively impact General Fund revenues and transfers by $2.1 billion in fiscal year 2023-24, $1.2 billion in fiscal year 2024-25, and $2.8 billion in fiscal year 2025-26. General Fund revenues and transfers in fiscal year 2023-24 are negatively impacted by a $1.2 billion transfer to the BSA from the General Fund and positively impacted by $1.5 billion due to net loans and loan repayments to the General Fund from special funds. General Fund revenues and transfers in fiscal year 2024-25 are positively impacted by $4.9 billion in net transfers from the BSA to the General Fund, a positive impact of $900 million for a transfer from the Safety Net Reserve Fund to the General Fund, a positive impact of $6.2 billion for transfers from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund, and a positive impact of $438 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 negatively impacted by $182 million in net loans and loan repayments from the General Fund to special funds and positively impacted by a $7.1 billion transfer from the BSA to the General Fund. For additional information regarding the BSA, see "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—*Budget Stabilization Act ("BSA")*."

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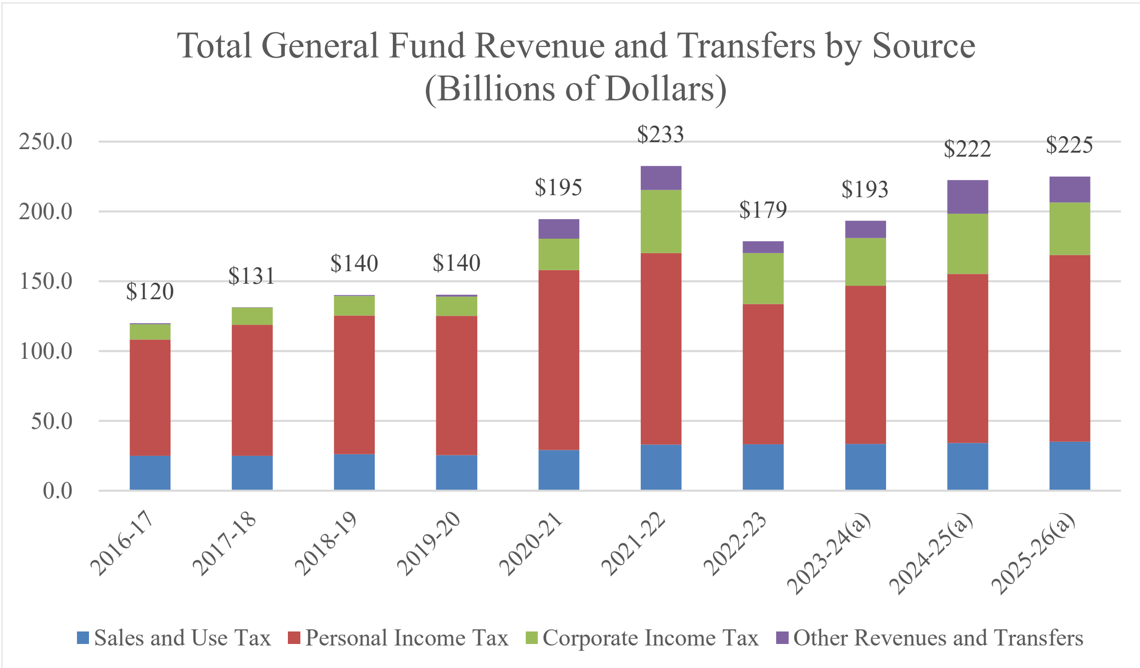

(a) Projected.

Note: Chart reflects yearly transfers from the General Fund to the BSA of $3 billion in fiscal year 2016-17, $4.1 billion in fiscal year 2017-18, $3.2 billion in fiscal year 2018-19, $2.1 billion in fiscal year 2019-20, $5.1 billion in fiscal year 2020-21, $7.1 billion in fiscal year 2021-22, $1.2 billion in fiscal year 2023-24, and $69 million in fiscal year 2024-25. 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), a withdrawal of $4.9 billion in fiscal year 2024-25, and $7.1 billion in fiscal year 2025-26, The chart also reflects a deposit of $900 million to the Safety Net Reserve Fund in fiscal year 2018-19, a withdrawal of $450 million to the General Fund from the Safety Net Reserve Fund in fiscal year 2020-21, a deposit of $450 million to the Safety Net Reserve Fund in fiscal year 2021-22, and a withdrawal of the full amount available in the Safety Net Reserve Fund ($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 in fiscal year 2024-25. Transfers reduce General Fund revenues and transfers by the amounts of the transfers, while withdrawals increase General Fund revenues and transfers by the amounts of the withdrawals.

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

Fiscal Year	Personal Income Tax[(b)(d)]		Sales and Use Tax[(b)]		Corporate Income Tax[(c)]		Other Revenues and Transfers[(d)(e)(f)]		Total
2016-17	$83,264	69.4%	$24,874	20.7%	$11,020	9.2%	$823	0.7%	$119,982
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[(a)]	113,380	58.7	33,342	17.3	34,318	17.8	12,230	6.3	193,269
2024-25[(a)]	121,106	54.4	34,110	15.3	43,199	19.4	24,056	10.8	222,473
2025-26[(a)]	133,685	59.4	35,121	15.6	37,697	16.7	18,591	8.3	225,095

(a) Projected.

(b) Reflects the passage of Proposition 30, which temporarily increased tax rates on the highest income Californians through December 31, 2018, and temporarily increased the sales and use tax rate by 0.25 percent through December 31, 2016. Proposition 55 extended the three personal income tax brackets added by Proposition 30 through tax year 2030. For fiscal year 2020-21, includes -$2.9 billion for tax refunds related to Golden State Stimulus I (GSS I). Reflects -$18.3 billion in fiscal year 2021-22, -$15.1 billion in fiscal year 2022-23, -$16.2 billion in fiscal year 2023-24, -$17.1 billion in fiscal year 2024-25, and -$11.5 billion in fiscal year 2025-26 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. Reflects $20.5 billion in fiscal year 2021-22, $16.7 billion in fiscal year 2022-23, $17.1 billion in 2023-24, $17.8 billion in 2024-25, and $10.5 billion in 2025-26 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 Safety Net Reserve Fund. 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 Safety Net Reserve Fund. Fiscal year 2021-22 includes a $7.1 billion deposit into the BSA and a transfer of $450 million to the Safety Net Reserve Fund. Fiscal year 2022-23 does not include transfers into the BSA or Safety Net Reserve Fund. Fiscal year 2023-24 includes a $1.2 billion deposit to the BSA. Fiscal year 2024-25 includes a $4.9 billion withdrawal from the BSA, a $900 million withdrawal from the Safety Net Reserve Fund, 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.

(e) Includes cost recovery revenues for federal reimbursement of expenses related to the COVID-19 pandemic and wildfires which positively impact General Fund revenues and transfers by $2.1 billion in fiscal year 2023-24, $1.2 billion in fiscal year 2024-25, and $2.8 billion in fiscal year 2025-26.

(f) Includes a positive effect from net loans and loan repayments to the General Fund from special funds of $1.9 billion in fiscal year 2020-21, a negative effect of $861 million in fiscal year 2021-22, a positive effect of $1.5 billion in 2023-24, a positive effect of $438 million in 2024-25, and a negative effect of $182 million in 2025-26. Includes a positive impact of $6.2 billion for transfers from the Coronavirus Fiscal Recovery Fund to the General Fund in 2024-25. Negative amounts denote 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 38.7 percent of the state's total PIT in tax year 2022, 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 $698,274, $837,922, and $1,369,542, respectively, for the rates above for tax year 2023. The 2024 Budget Act projects the revenue from these additional tax brackets to be $9.8 billion in fiscal year 2023-24, $11 billion in fiscal year 2024-25, and $11.7 billion in fiscal year 2025-26.

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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	
2016-17	$12,255	10.2%	$71,010	59.2%	$83,264	69.4%
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[(d)(e)]	15,007	8.4	85,444	47.9	100,451	56.3
2023-24[(d)(e)]	14,898	7.7	98,482	51.0	113,380	58.7
2024-25[(d)(e)]	17,746	8.0	103,360	46.5	121,106	54.4
2025-26[(d)(e)]	19,735	8.8	113,950	50.6	133,685	59.4

(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 $205 million in fiscal year 2016-17, $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, $1.5 billion in fiscal year 2024-25, and $1.5 billion in 2025-26.

(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 2022-23, only the portion of total PIT attributable to capital gains remains subject to possible further revision.

(e) Reflects a decrease in revenues of $18.3 billion in fiscal year 2021-22, $15.1 billion in fiscal year 2022-23, $16.2 billion in fiscal year 2023-24, $17.1 billion in fiscal year 2024-25, and $11.5 billion in fiscal year 2025-26 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 2016 through 2022 and are estimated for 2023 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 2025-26 Governor’s Budget projects that capital gains would account for 7.7 percent of General Fund revenues and transfers in fiscal year 2023-24, 8.0 percent in fiscal year 2024-25, and 8.8 percent in 2025-26. 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, which was enacted in the 2021 Budget Act, is projected to decrease personal income tax revenues by an estimated $16.2 billion in fiscal year 2023-24, $17.1 billion in fiscal year 2024-25, and $11.5 billion in fiscal year 2025-26, with offsetting revenue gains in corporate income taxes.

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 to purchases from out-of-state vendors that did not collect tax on their sales. Use tax also applies to most leases of tangible personal property.

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

- 3.9375 percent imposed as a state General Fund tax;
- 1.0625 percent dedicated to local governments for realignment purposes (Local Revenue Fund 2011);
- 0.5 percent dedicated to local governments for health and welfare program realignment (Local Revenue Fund);
- 0.5 percent dedicated to local governments for public safety services (Local Public Safety Fund); and
- 1.25 percent local tax imposed under the Uniform Local Sales and Use Tax Law, with 0.25 percent dedicated to county transportation purposes and 1 percent for city and county general-purpose use.

Proposition 30 constitutionally guaranteed that 1.0625 percent of the sales tax rate is dedicated to the cost of the realignment of certain defined public safety services programs from the state to the counties and explicitly states that this sales tax revenue does not constitute General Fund revenue for purposes of the Proposition 98 guarantee. The 1.0625 percent of the sales tax rate is projected to generate $9.6 billion in fiscal year 2024-25 and $9.9 billion in fiscal year 2025-26.

Existing law provides that 0.25 percent of the base state and local sales tax rate will be suspended in any calendar year upon certification by the Director of the Department of Finance that specified conditions exist. There are two sets of tests, each with two conditions. The first set of tests examines whether the actual SFEU balance as of June 30 exceeds 4 percent of the current fiscal year's General Fund revenues, and whether the projected SFEU balance as of June 30 of the next fiscal year, excluding the impact from the 0.25 percent sales tax rate, exceeds 4 percent of the next fiscal year's projected General Fund revenues. The second set of tests observes whether the 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 would be insufficient to trigger a suspension of the 0.25 percent rate for calendar year 2024. See "CURRENT STATE BUDGET" for a projection of the SFEU balance for fiscal years 2023-24 and 2024-25.

3. *Corporation Tax*

Corporation tax revenues are derived from the following taxes:

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

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

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

- A minimum franchise tax of up to $800 is imposed on corporations and Sub-Chapter S corporations. Limited partnerships ("LPs"), limited liability partnerships ("LLPs"), and LLCs are also subject to the $800 minimum franchise tax. New corporations are exempted from the minimum franchise tax for the first year of incorporation, as are LPs, LLPs, and LLCs registered between January 1, 2021, and January 1, 2024.

- Sub-Chapter S corporations are taxed at 1.5 percent of 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 $1.6 billion in fiscal year 2025-26.

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 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 $10,000 state and local tax deduction limitation on a taxpayer's federal personal income taxes. Accordingly, every dollar received from the PTET paid generates a dollar of personal income tax credit. The PTET is estimated to increase corporate income tax revenues by $17.1 billion in fiscal year 2023-24, $17.8 billion in fiscal year 2024-25, and $10.6 billion in fiscal year 2025-26, with roughly equivalent offsetting revenue losses in personal income tax revenues.

The 2024 Budget Act increased revenues by limiting business credit usage to $5 million per year and by suspending the use of NOL deductions for businesses with more than $1 million in taxable income in tax years 2024, 2025, and 2026, subject to a trigger for each of the tax years 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 revenue estimate for the credit limitation and NOL suspension was updated in the 2025-26 Governor's Budget and is projected to increase revenues by $7.3 billion in fiscal year 2024-25, $5.6 billion in fiscal year 2025-26, and $2.1 billion in fiscal year 2026-27, followed by offsetting revenue losses beginning in fiscal year 2027-28 in the range of $3 billion per year.

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 billion in fiscal year 2023-24 and is projected to generate $4.1 billion in fiscal year 2024-25 and $4.3 billion in fiscal year 2025-26.

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 cash balance of this account has grown since the beginning of the pandemic and interest rates have risen considerably in the past few years, resulting in higher yields than pre-pandemic. During the first quarter of fiscal year 2024-25, the total money invested in the Pooled Money Interest Account averaged $168.1 billion across all funds, $73.3 billion of which generated interest revenue to the General Fund. Pooled Money Interest Account revenues are estimated to have generated General Fund revenues of $2.9 billion in fiscal year 2023-24 and are projected to generate $3.2 billion in fiscal year 2024-25 and $1.9 billion in fiscal year 2025-26.

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 were projected to account for 24.4 percent of all special fund revenues in fiscal year 2025-26. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. In fiscal year 2025-26, approximately $22.1 billion of special fund revenues are projected to come from the ownership or operation of motor vehicles, which includes an increase to existing taxes and new fees from the Road Repair and Accountability Act of 2017, Chapter 5, Statutes of 2017 (SB 1), which began collection in fiscal year 2017-18. For a discussion of Proposition 1A of 2004, which replaced a portion of vehicle license fees with increased property tax revenues, see “STATE FINANCES—OTHER ELEMENTS—Local Government Impacts on State Finances.” The following table displays major special fund revenues (actual and as estimated in November 2024).

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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)]
2016-17	$22,144	$1,757	$1,155	--	$4,843	$7,166	$2,578
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[(a)]	31,777	2,620	1,341	629	9,234	11,905	8,269
2024-25[(a)]	32,286	3,231	1,250	604	9,414	12,284	13,759
2025-26[(a)]	33,109	3,586	1,210	762	9,484	12,634	12,705

(a) Projected.

(b) These figures include allocations to Public Transportation Account, State Fiscal Recovery Fund ("SFRF"), Local Public Safety Fund, both Local Revenue Funds (1991 and 2011 Realignment), and the Bradley-Burns tax, which is dedicated to city and county operations.

(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.

(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 beginning in fiscal year 2016-17, and the Electronic Cigarette Excise Tax Fund beginning in fiscal year 2022-23.

(e) These figures include estimates for a 15 percent excise tax and an inflation-adjusted $1.29 to $9.25 per pound cultivation tax on cannabis from fiscal year 2017-18 through fiscal year 2021-22, the elimination of the cultivation tax in fiscal year 2022-23 and later, and a 4 percentage point increase in the excise tax rate to 19 percent beginning in fiscal year 2025-26.

(f) Beginning in fiscal year 2017-18, amounts include an additional 4 percent sales tax on diesel and an additional 20-cent per gallon excise tax on diesel, and an additional 12-cent per gallon excise tax on gasoline, starting November 1, 2017. All gasoline and diesel excise tax rates are indexed for inflation beginning July 1, 2020.

(g) Registration and weight fees, motor vehicle license fees and other fees. Includes revenue beginning in fiscal year 2017-18 from a new graduated fee at $25 to $175 per vehicle that is indexed to inflation beginning January 1, 2020. See "STATE FINANCES—OTHER ELEMENTS—Local Government Impacts on State Finances."

(h) Reflects renewal of the MCO Tax in 2024 as adopted in the 2023 Budget Act.

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.

State Expenditures

Certain information concerning state expenditures as proposed in the 2025-26 Governor's Budget 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 six 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 $83.5 billion from the General Fund for fiscal year 2025-26 (both Non-Proposition 98 and Proposition 98). The state also provides instruction and support services for approximately 2.1 million students based on enrollment (or approximately 1.1 million full-time equivalent students) at 116 community colleges.

Proposition 98 Funding for TK-12 and Community Colleges. State funding for TK-12 schools and community colleges (referred to collectively as "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 2024-25 and 2025-26" 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 2025-26 Governor's Budget reflects these conditions being met, requiring a deposit in fiscal year 2025-26 of approximately $376 million. Economic conditions as of the 2024 Budget Act required a withdrawal in fiscal year 2023-24 of approximately $8.4 billion and included a discretionary withdrawal of approximately $1.1 billion in fiscal year 2024-25. Proposition 2 requires a two-year true up on this transfer calculation and, after the true up, the withdrawal in fiscal year 2023-24 is unchanged and a mandatory deposit of approximately $1.2 billion in fiscal year 2024-25 is required, replacing the discretionary deposit. Balances in the PSSSA must be spent on education in fiscal years in which the minimum Proposition 98 funding level is not sufficient to fund the prior year funded level adjusted for growth and inflation, which occurred in fiscal year 2023-24 because the Proposition 98 minimum guarantee was suspended. With the total balance in the PSSSA no longer exceeding 3 percent of the total Proposition 98 funded amount in fiscal year 2024-25, school district reserve caps of 10 percent will not be triggered for applicable districts in fiscal year 2025-26 pursuant to state law.

<u>Proposition 98 Funding for Fiscal Years 2024-25 and 2025-26</u>. Test 1 is operative in 2024-25 and 2025-26, 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 will increase in fiscal years 2024-25 and 2025-26. The 2025-26 Governor's Budget reflects a revised minimum guarantee level for TK-12 schools and community colleges in fiscal year 2024-25 of approximately $119.2 billion, which is approximately $3.9 billion more than the level assumed at the 2024 Budget Act. Due to the inherent risk in revenue projections, the 2025-26 Governor's Budget proposes to appropriate the minimum guarantee at $117.6 billion, instead of the calculated level of $119.2 billion in 2024-25. This proposal creates $1.6 billion in settle-up for one-time purposes. The $117.6 billion for 2024-25 is inclusive of a $5.6 billion maintenance factor obligation payment, which represents an increase of approximately $1.6 billion compared to the projected payment at the 2024 Budget Act. Depending upon the final calculation of the minimum guarantee for 2024-25 at certification of the 2026 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 2025-26 Governor's Budget reflects the Proposition 98 minimum guarantee at approximately $118.9 billion in fiscal year 2025-26, which represents an increase of approximately $3.6 billion compared to the amount assumed for fiscal year 2024-25 in the 2024 Budget Act. Combined with required growth and cost-of-living adjustments, the estimated maintenance factor balance at the end of 2025-26 is $2.9 billion.

The 2024 Budget Act: (1) deferred local control funding formula resources for TK-12 of approximately $3.6 billion from fiscal year 2023-24 to 2024-25 and approximately $253.9 million from fiscal year 2024-25 to 2025-26, and (2) deferred student centered funding formula resources for community colleges of approximately $545.8 million from fiscal year 2023-24 to 2024-25 and approximately $243.7 million from fiscal year 2024-25 to 2025-26. The 2025-26 Governor's Budget pays off all deferrals created at the 2024 Budget Act.

The 2025-26 Governor's Budget includes ongoing funding to accommodate enrollment increases related to the expansion of transitional kindergarten. The 2025-26 Governor's Budget rebenches the Test 1 percentage, from approximately 39.2 percent to approximately 39.6 percent, to increase the percentage of General Fund revenues due to the minimum guarantee.

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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 2024-25 to Proposed 2025-26	
	2023-24		2024-25		2025-26		
	Enacted[(a)]	Revised[(b)]	Enacted[(a)]	Revised[(b)]	Proposed[(b)]	Amount	Percent
TK-12 Proposition 98							
State General Fund	$ 52,694	$ 52,667	$ 61,421	$ 62,383	$ 64,884	$ 2,501	4%
Education Protection Account	7,016	7,016	11,290	12,465	10,300	(2,165)	-17%
Local property tax revenue[(c)]	27,295	27,322	28,410	28,265	29,783	1,518	5%
Subtotals	$ 87,005	$ 87,005	$ 101,121	$ 103,114	$ 104,968	$ 1,854	2%
Community College Proposition 98							
State General Fund	$ 6,518	$ 6,543	$ 7,452	$ 7,507	$ 7,768	$ 261	3%
Education Protection Account	867	867	1,395	1,541	1,273	(268)	-17%
Local property tax revenue[(c)]	4,094	4,070	4,260	4,304	4,538	233	5%
Subtotals	$ 11,479	$ 11,479	$ 13,108	$ 13,352	$ 13,579	$ 227	2%
Total Proposition 98							
State General Fund	$ 59,212	$59,210	$ 68,873	$ 69,891	$ 72,653	$ 2,762	4%
Public School System Stabilization Account	0	0	1,054	1,157	376	(780)	-67%
Education Protection Account	7,883	7,883	12,686	14,006	11,574	(2,433)	-17%
Local property tax revenue[(c)]	31,389	31,392	32,670	32,569	34,321	1,752	5%
Totals[(d)]	$ 98,484	$ 98,484	$ 115,283	$ 117,623	$ 118,923	$ 1,301	1%

(a) As of the 2024 Budget Act, enacted on June 26, 2024, as amended June 29, 2024.

(b) As of the 2025-26 Governor's Budget. Proposition 98 funding for fiscal year 2024-25 is $1,565,134,000 below the calculated minimum guarantee level, creating a settle-up obligation of the same amount.

(c) Local property tax revenues include amounts shifted to schools because of the elimination of redevelopment agencies. Fiscal years 2023-24 through 2025-26 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.

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 2025-26 Governor's Budget proposes $13.6 billion Proposition 98 funds for community colleges (consisting of $9 billion from the General Fund and Education Protection Account and $4.5 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 2023-24 academic year. For the 2023-24 academic year, about 1.1 million full-time equivalent students were enrolled at CCCs.

CSU provides undergraduate, graduate and professional programs, awarding approximately 125,000 degrees in the 2023-24 academic year. CSU enrolled approximately 391,000 full-time equivalent students at 23 campuses in the 2023-24 academic year.

UC provides a range of undergraduate, graduate, and professional programs, awarding approximately 85,000 degrees in the 2023-24 academic year. The ten UC campuses and UC College of the Law San Francisco (formerly, Hastings College of Law) enrolled approximately 295,000 full-time equivalent students in the 2023-24 academic year.

In fiscal year 2023-24, community colleges enrollment increased from the prior year, although community college enrollment continues to be below pre-pandemic levels; CSU continued to experience overall 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.

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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)(e)]	UC[(b)(e)]	CCCs[(c)(d)]
2021-22	$5.4	$4.8	$8.7
2022-23	5.3	4.9	8.3
2023-24	5.4	4.9	7.4
2024-25[(f)]	5.6	5.0	9.0
2025-26[(f)]	5.6	5.0	9.0

(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 TK-12 Strong Workforce Program expenditures.

(d) Includes Education Protection Account expenditures.

(e) Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this General Fund expenditure amount may reflect overstated expenditures.

(f) Estimated as of the 2025-26 Governor's Budget.

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 2025-26 Governor's Budget includes expenditures of $174.6 billion ($37.6 billion General Fund) in fiscal year 2024-25 and $188.1 billion ($42.1 billion General Fund) in fiscal year 2025-26 for the Medi-Cal program. The estimated average monthly caseload is 15 million members in fiscal year 2024-25 and 14.5 million in 2025-26. Compared to the 2024 Budget Act, the 2025-26 Governor's Budget includes increased Medi-Cal expenditures of approximately $2.8 billion General Fund in 2024-25. This increase is driven primarily by higher overall enrollment due to continuing flexibilities in the eligibility redetermination process that has followed the termination of the federal requirement that the state maintain enrollment of nearly all Medi-Cal enrollees during the COVID-19 Public Health Emergency and higher-than-projected caseload and pharmacy costs, offset by additional support from the Managed Care Organization (MCO) Tax (see below for more detail). (Redetermination flexibilities were offered by the federal government to help increase administrative efficiencies in the Medi-Cal renewal process for the 12 months after the end of the COVID-19 Public Health Emergency.) The 2025-26 Governor's Budget includes the continuation of eligibility redetermination flexibilities through June 30, 2025, resulting in reduced Medi-Cal disenrollment compared to the 2024 Budget Act. Caseload is anticipated to modestly decline in fiscal year 2025-26 as the flexibilities end on June 30, 2025 and due to potential enrollment impacts due to changes in federal immigration policy. See "ECONOMIC AND BUDGET RISKS—Uncertain Federal Policy."

The Medi-Cal budget may significantly change over time, including within a single fiscal year, due to its size, financial complexity, federal requirements, and the fact that Medi-Cal operates on a cash, rather than an accrual, basis of accounting, which means that the timing of transactions can significantly disrupt fiscal year budgetary estimates. The implementation of several state and federal policies has led to significant changes in the program in recent years, including caseload, which has made budgetary estimates more challenging. Furthermore, significant variability is possible in the near future due to potential changes in federal policy, including immigration policy.

As described above, the 2025-26 Governor's Budget projected Medi-Cal General Fund expenditures in fiscal year 2024-25 would be $2.8 billion higher compared to the 2024 Budget Act. Since the issuance of the 2025-26 Governor's Budget, the Department of Health Care Services has identified that Medi-Cal expenditures are exceeding the projections in the 2025-26 Governor's Budget for fiscal year 2024-25. As a result, on March 4, 2025, the Department of Finance approved a request for a loan to the Department of Health Care Services in the amount of $3.44 billion to make Medi-Cal program payments to providers. (Given the significant difficulty in estimating Medi-Cal expenditures, such loans, which are specifically provided for in state law, were also necessary in fiscal years 2023-24 and 2017-18.) The fiscal year 2024-25 loan will be repaid through either current fiscal year legislation or pursuant to the 2025-26 Budget Act. Based on updated projections as of mid-March 2025, the Administration is requesting a supplemental appropriation from the Legislature of an additional $2.8 billion. The Department of Health Care Services continues to update its projections of Medi-Cal general fund expenditures for the May Revision. The Administration anticipates that any further changes in expenditures, including additional shortfalls of similar magnitude as those described above, can be managed administratively, such as by shifting payments to fiscal year 2025-26.

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The following table shows Medi-Cal expenditures as of the 2025-26 Governor's Budget.

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	23.4	95.5	156.1
2024-25[c]	37.6	29.5	107.5	174.6
2025-26[c]	42.1	28.0	118.1	188.1

Note: Totals may not add due to rounding.

[a] Other State Funds include the Home & Community-Based Services American Rescue Plan Fund and MCO Tax Special Funds.

[b] Federal Funds include State Fiscal Recovery Fund, Demonstration Disproportionate Share Hospital Fund and Health Care Support Fund.

[c] Estimated as of the 2025-26 Governor's Budget.

Year-over-year changes. The $4.5 billion increase in General Fund spending from fiscal year 2024-25 to fiscal year 2025-26 is due primarily to decreased MCO Tax revenue available to support existing Medi-Cal program costs. This results in increased costs of approximately $3.6 billion in fiscal year 2025-26. The remaining year-over-year increase is driven by various factors including projected growth in Medi-Cal pharmacy expenditures, continuing decline of Proposition 56 revenues, and projected growth in other base costs (i.e., fee-for-service utilization, managed care costs, and Medicare premium and Part D costs).

Medi-Cal Coverage for all Individuals, Regardless of Immigration Status. The Governor's Budget projects expenditures of approximately $9.5 billion ($8.4 billion General Fund) in fiscal year 2024-25, decreasing to approximately $8.5 billion ($7.4 billion General Fund) in fiscal year 2025-26 and thereafter, inclusive of In-Home Supportive Services costs, for the expansion of full-scope Medi-Cal coverage to all income-eligible individuals regardless of immigration status. Compared to the 2024 Budget Act, this is an estimated increase of $3.2 billion ($2.6 billion General Fund) in fiscal year 2024-25 and a projected increase of $1.9 billion ($1.4 billion General Fund) in fiscal year 2025-26. Medi-Cal is available to all income-eligible individuals, regardless of immigration status.

Compared to the 2024 Budget Act, the 2025-26 Governor's Budget reflects a total estimated $2.7 billion General Fund increase in state-only costs for Medi-Cal members with unsatisfactory immigration status, which includes the expansion populations listed above, as well as non-citizens who do not qualify for full-scope coverage 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. For individuals receiving services under the Medi-Cal expansion and other individuals with unsatisfactory immigration status, utilization has been higher than projected in the 2024 Budget Act. However, changes in federal immigration policies may significantly impact program enrollment and as a result, costs, in the near future. The ongoing trend for Medi-Cal caseload continues to be difficult to project and highly uncertain.

MCO Tax. Federal Medicaid 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.

The 2023 Budget Act authorized the state to request a new MCO Tax effective April 1, 2023, through December 31, 2026, which received federal approval on December 15, 2023. Two amendments to the 2023 MCO Tax received federal approval on December 20, 2024. The 2025-26 Governor's Budget reflects a total net state funding from the MCO Tax and amendments of $27.1 billion from fiscal year 2023-24 through fiscal year 2026-27.

Proposition 35, approved by the voters in November 2024, requires the Department of Health Care Services to seek federal renewal and reauthorization of the MCO Tax to permanently continue the tax. Proposition 35 specifies permissible uses of tax revenues starting with the 2025 tax year. Proposition 35 limits the amount of MCO Tax revenue allowed to support existing costs in the Medi-Cal program. The 2025-26 Governor's Budget reflects MCO Tax revenue of $7.9 billion in fiscal year 2024-25, $4.4 billion in fiscal year 2025-26, and $3.3 billion in fiscal year 2026-27 to support the Medi-Cal program. Compared to the 2024 Budget Act, this is an increase of $1 billion in fiscal year 2024-25 and decreases of $2.2 billion in fiscal year 2025-26 and $1.8 billion in fiscal year 2026-27. The remaining net benefit of $186 million in fiscal year 2024-25 and $3.3 billion in fiscal year 2025-26 primarily reflects increases to Medi-Cal provider payments that were effective in January 2024 and other investments required by Proposition 35. However, the final spending plan is subject to consultation with a stakeholder advisory committee. The targeted Medi-Cal provider rate increases from the MCO Tax included in the 2024 Budget Act, which included $133 million in fiscal year 2024-25, $728 million in fiscal year 2025-26, and $1.2 billion in fiscal year 2026-27, are inoperable due to the passage of Proposition 35.

Proposition 35 does not apply to the $12 billion in gross MCO Tax revenue generated from the 2024 amendments because these changes were not part of the statute subject to Proposition 35 requirements.

The federal government has signaled its intent to change federal regulations associated with health care related taxes, so it is uncertain whether an MCO Tax of a similar size would be approved in the future.

Health Care Worker Minimum Wage. On October 16, 2024, health care minimum wage increases went into effect. The cost pressures for managed care plans resulting from the healthcare minimum wage increases will be partially mitigated by an increase to the Hospital Quality Assurance Fee beginning January 1, 2025, as hospitals will have significant new revenue available.

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. The 2025-26 Governor's Budget includes $2.8 billion ($836.3 million General Fund) in fiscal year 2024-25, and $2.2 billion ($681 million General Fund) in fiscal year 2025-26 to support CalAIM initiatives.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration. In December 2024, the Centers for Medicare and Medicaid Services approved $8 billion in total funds for the BH-CONNECT Demonstration across various departments effective January 1, 2025 through December 31, 2029. The Demonstration includes statewide and county opt-in components to expand and strengthen the behavioral health continuum for Medi-Cal members living with significant behavioral health conditions, with a focus on children and youth, individuals experiencing or at risk of homelessness, and justice-involved individuals. The Demonstration waiver authorizes $1.9 billion ($807.5 million Designated State Health Program Funding, $142.5 million Behavioral Health Services Fund, and $950 million federal funds reimbursements) to implement a health care workforce initiative between 2025 and 2029. The Designated State Health Program funding will offset the workforce initiative General Fund expenditures budgeted within the Department of Health Care Access and Information's budget over the term of the five-year demonstration period.

<u>In-Home Supportive Services ("IHSS")</u>. 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.

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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
2021-22[(a)]	586,627	$4.6
2022-23[(b)]	623,181	5.7
2023-24[(c)]	667,734	7.8
2024-25[(d)(e)]	717,814	9.5
2025-26[(d)(f)]	771,650	10.6

(a) Fiscal year 2021-22 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $13 to $14, effective January 1, 2021, and half year costs for the statewide minimum wage increase to $15, effective January 1, 2022; (2) restoration of the 7 percent across-the-board reduction in services hours; (3) both costs and savings related to COVID-19; (4) growth in caseload and average service hours per case; and (5) continuation of the 65 percent state and 35 percent county sharing ratio and the continuation of the 10 percent over three years option.

(b) 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.

(c) 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.

(d) Estimated as of the 2025-26 Governor's Budget.

(e) 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; (3) full-year implementation of Undocumented 26-49 Full Scope Expansion.

(f) 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.

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. In fiscal years 2021-22 through 2025-26 the General Fund expenditures for CalWORKS ranged from $1 billion to $1.4 billion (with the last two of such fiscal years consisting of projected expenditures).

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 2025-26 Governor's Budget includes approximately $3.6 billion General Fund for the SSI/SSP program in fiscal year 2025-26, 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 2025-26.

Developmental Services. The Department of Developmental Services ("DDS") provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently or in supported environments. DDS estimates it will serve approximately 504,905 individuals in the community and approximately 302 individuals in state-operated facilities in fiscal year 2025-26.

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
2021-22	372,938	$6.3
2022-23	394,732	6.9
2023-24	425,415	8.0
2024-25[a]	465,467	10.2
2025-26[a]	505,207	12.4

[a] Estimated as of the 2025-26 Governor's Budget.

The 2021 Budget Act initiated the multi-year phase-in of service provider rate reform. The 2024 Budget Act included approximately $2.2 billion ($1.3 billion General Fund) to support implementation of rate reform in 2024-25, which reflects the final step in rate increases occurring on January 1, 2025. At the time of release of the 2025-26 Governor's Budget, overall General Fund costs are expected to increase by approximately $2.2 billion in 2025-26, driven primarily by higher service utilization trends based on analysis of recent actual expenditures, inclusive of costs associated with the full implementation of rate reform.

Child Care. Families can 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 multiyear plan to expand access to subsidized spaces for children in a child care center or family child care home (referred to as slots). The 2025-26 Governor's Budget maintains $1.95 billion ($1.6 billion General Fund) for 129,760 new slots funded since fiscal year 2021-22.

The current collective bargaining agreement the state reached with Child Care Providers United – California ("CCPU") is effective September 13, 2023 to July 1, 2025. Negotiations for a successor agreement between the state and CCPU began in December 2024 and are ongoing.

4. *Public Safety*

The California Department of Corrections and Rehabilitation ("CDCR") operates 32 adult correctional facilities, 34 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 41 million square feet of building space on more than 21,000 acres of land (33 square miles) statewide.

While the adult incarcerated population was projected to decrease consistent with recent trends, the most recent projections indicate the adult incarcerated population will rise slightly because of the passage of Proposition 36 (described below) in November 2024. The 2025-26 Governor's Budget assumes an average daily adult incarcerated population of 93,278 individuals in fiscal year 2025-26 and an average daily adult parole population of 34,671 individuals in fiscal year 2025-26. While the expected population increase from Proposition 36 is projected to result in approximately 3,500 prison admissions annually, the population is still expected to continue its overall long-term downward trend because of prior public safety realignment and credit earning changes, declining to 90,998 in fiscal year 2027-28.

The 2025-26 Governor's Budget includes total expenditures (excluding capital outlay) of $13.9 billion ($13.5 billion from the General Fund) for CDCR, including salaries and benefits of approximately $10 billion.

Prison Population. Pursuant to various rulings issued by a panel of three federal judges, (some affirmed by the United States Supreme Court), the state was ordered to reduce its prison population to 137.5 percent of the system's design capacity by February 28, 2016. In January 2015, CDCR met this population benchmark because of the successful implementation of a variety of court-ordered population reduction measures and the approval of Proposition 47 by the voters in 2014, which required reclassification of certain felonies to misdemeanors (and related resentencing). Notwithstanding these changes, the fall 2016 adult incarcerated population projections estimated that population would increase by approximately 1,000 individuals per year. Given the need to establish a durable solution for prison crowding, the voters approved Proposition 57 in 2016 to maintain compliance with the court-ordered population cap, end federal court oversight, and establish more incentives for the incarcerated population to participate in rehabilitative programs.

Proposition 57 reformed the juvenile and adult criminal justice system in California by creating a parole consideration process for non-violent incarcerated individuals who served the full term for their primary criminal offense in state prison, authorizing CDCR to award credits earned for good conduct and approved rehabilitative or educational achievements, and requiring judges to determine whether juveniles charged with certain crimes should be tried in juvenile or adult court. The 2025-26 Governor's Budget estimates that Proposition 57 will result in a population reduction of approximately 15,600 incarcerated adults in fiscal year 2025-26, 16,200 in fiscal year 2026-27, and 16,100 in fiscal year 2027-28, based on current projections.

These population reductions enabled CDCR to terminate all out-of-state and in-state contract facilities by 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. The Chuckawalla Valley State Prison closed on November 30, 2024. In addition, as part of statewide efficiencies included in the 2024 Budget Act, the 2025-26 Governor's Budget includes details on 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. 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 increase the prison population but is not expected to undermine the state's ability to remain below the court-ordered population cap.

Juvenile Justice. The Division of Juvenile Justice within CDCR closed on June 30, 2023, and all youth who were not released from the Division of Juvenile Justice at the time of closure were transferred to the county probation department within their county of commitment.

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 2025-26 Governor's Budget includes $3.1 billion (General Fund) for the prison medical program in fiscal year 2025-26, which represents an increase of approximately $21.7 million compared to the 2024 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 28 institutions have been delegated back to the state, but three of those institutions have since closed, bringing the total delegated institutions to 25. There are currently six institutions remaining to be transitioned back to the state.

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 2018-19 through 2022-23.

TABLE 15
Governmental Cost Funds (Budgetary Basis)
Schedule of Expenditures by Function and Character
Fiscal Years 2018-19 to 2022-23
(Dollars in Thousands)

	Fiscal Year				
Expenditures by Function	**2018-19[d][e]**	**2019-20**	**2020-21[f]**	**2021-22**	**2022-23**
Legislative, Judicial, and Executive					
Legislative	$ 421,437	$ 441,848	$ 461,674	$ 522,804	$ 756,917
Judicial	3,958,165	4,333,912	3,997,371	4,724,007	5,047,239
Executive	3,801,370	4,647,624	5,874,444	6,077,113	7,358,335
Business, Consumer Services, and Housing	1,153,072	1,870,110	1,886,945	2,775,611	3,016,646
Transportation	11,402,541	12,707,948	13,221,038	13,479,293	13,387,603
Natural Resources	3,752,276	4,048,044	3,177,098	7,461,692	9,248,207
Environmental Protection	5,773,010	4,248,665	5,402,081	7,085,879	5,425,185
Health and Human Services	62,648,933	64,085,968	72,071,862	78,595,207	89,154,893
Corrections and Rehabilitation	12,282,346	13,153,697	12,595,692	13,880,058	14,929,002
Education					
Education – TK through 12	56,034,607	57,409,564	74,676,843	73,353,831	67,094,209
Higher Education	15,299,358	16,250,941	17,032,920	21,984,846	22,996,415
Labor and Workforce Development	797,943	803,637	809,271	1,263,295	2,051,198
Government Operations	5,165,749	1,808,617	4,441,530	10,347,058	14,851,278
General Government					
Non-Agency Departments	2,734,197	2,900,994	2,635,801	2,952,697	3,273,957
Tax Relief	472,774	500,438	1,166,876	602,539	640,116
Shared Revenues	2,657,485	2,616,714	2,788,355	2,701,000	3,360,050
Other Statewide Expenditures	9,079,225	6,755,228	6,543,476	7,578,401	7,091,823
Reserve for Liquidation of Encumbrances[a]	(4,086,372)	(3,152,377)	(675,970)	(8,333,205)	(7,518,656)
Statewide General Administration Expenditures (Pro Rata)	(109,029)	(98,186)	(70,611)	(98,006)	(56,855)
General Fund Credits from Federal Funds (SWCAP)	(196,766)	(178,234)	(179,933)	(167,992)	(196,948)
Total	**$193,042,321**	**$ 195,155,152**	**$ 227,856,763**	**$246,786,128**	**$261,910,614**
Expenditures by Character					
State Operations[b]	$ 59,323,118	$ 55,540,187	$ 57,865,379	$ 71,560,545	$79,507,549
Local Assistance	132,564,422	137,718,558	167,115,788	172,219,132	180,069,489
Capital Outlay[c]	1,154,781	1,896,407	2,875,596	3,006,451	2,333,576
Total	**$193,042,321**	**$ 195,155,152**	**$ 227,856,763**	**$246,786,128**	**$261,910,614**

(a) In fiscal year 2019-20, the decrease in Reserve for Liquidation of Encumbrances was mainly from the General Fund. 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 (g), below. However, in fiscal year 2021-22, the substantial increase in Reserve for Liquidation of Encumbrances is due to the State Controller's Office ("SCO") receiving all the year-end financial statements before publishing the BLBAR, and the aforementioned funds are now reported with encumbrance accruals.

(b) 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.

(c) In fiscal year 2019-20, Capital Outlay expenditures increased due to new projects in the Road Maintenance and Rehabilitation Account as well as an increase from various contracts in the Greenhouse Gas Reduction Fund. 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.

(Footnotes Continued on Following Page)

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(d) Executive Orders 18/19-A were issued by the Department of Finance, as authorized under Control Section 12.45 of the Budget Acts of 2017 pursuant to Government Code sections 12472.5 and 13302, to defer the June 2018 payroll expenditures for various governmental and nongovernmental cost funds to July 2018. This affected all state departments paid through the uniform payroll system. Beginning with fiscal year 2018-19, current year expenditures no longer include the deferral of June payroll expenditures to July pursuant to Senate Bill 83, Chapter 24, Statutes of 2019, which repealed Government Code sections 12472.5 and 13302(d), which provided authority to defer payroll from June to July of the following fiscal year.

(e) The Department of Secretary of State was not able to submit fiscal year 2018-19 financial statements for General Fund, Secretary of State's Business Fees Fund, and Federal Trust Fund prior to the cut-off of producing the BLBAR. The State Controller's Office included cash basis balances from its legacy system for these three funds in the BLBAR.

(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 of producing the BLBAR. The State Controller's Office included cash basis amounts from its legacy system for these eight funds in the BLBAR.

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

Budget Reserves

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

The SFEU is funded with General Fund revenues and was established to protect the state from unforeseen revenue reductions and/or unanticipated expenditure increases. The State Controller may transfer funds from the SFEU to the General Fund as necessary to meet cash needs of the General Fund, and such transfers are characterized as "loans." The State Controller is required to return moneys so transferred, without payment of interest, as soon as there are sufficient moneys in the General Fund. At the end of each fiscal year, the State Controller is required to transfer from the SFEU to the General Fund any amount necessary to eliminate any deficit in the General Fund. In addition, in certain circumstances, moneys in the SFEU are used in connection with disaster relief. 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 (f) in Table 4 for information concerning the recent balances in the SFEU and projections of the balances for the previous and current fiscal years. The Budget Act and related trailer bills are not the only pieces of legislation which appropriate funds. Updated estimates of revenues and expenditures, existing statutory requirements, and additional legislation introduced and passed by the Legislature may also impact the fiscal year-end balance in the SFEU.

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

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

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

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

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

- Allows the withdrawal of funds from the BSA only for a 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 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, the state's rainy day fund. 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. Consistent with the 2024 Budget Act, the Governor's Budget assumes that the conditions exist for the Governor to declare a fiscal budget emergency in 2025-26 and proposes to suspend the required transfer of $2.4 billion to the BSA and maintains the withdrawal of $7.1 billion from the BSA in fiscal year 2025-26, leaving a projected balance in the BSA of $10.9 billion at the end of fiscal year 2025-26.

Under the constitutional two-year true-up requirements, the 2025-26 Governor's Budget projects total transfers of $0.4 billion into the BSA for fiscal years 2023-24 and 2024-25.

Under current projections, Proposition 2 will result in a total of $23.1 billion in reductions of debts and liabilities through fiscal year 2025-26. See Table 6 for the current debt payment plan.

3. *Safety Net Reserve Fund*

The 2018 Budget Act created the Safety Net Reserve Fund, an additional reserve created specifically to protect safety net services during an economic downturn. The Safety Net Reserve Fund currently has no balance.

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 2024 Budget Act included a PSSSA withdrawal of $8.4 billion in fiscal year 2023-24. The 2025-26 Governor's Budget estimates deposits of approximately $1.2 billion in fiscal year 2024-25 and $0.4 billion in fiscal year 2025-26 which results in a balance of $1.5 billion in the PSSSA.

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 $4.9 billion and $4.6 billion, respectively, for fiscal year 2025-26. In addition to these required payments, the 2025-26 Governor's Budget includes a discretionary payment to CalPERS. See "OVERVIEW—State Pension Systems and Retiree Health Care Costs."

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 will result in increased state contributions in future years. Detailed information about the two retirement systems, including information regarding the unfunded liabilities of each system, is contained in EXHIBIT 1—"PENSION SYSTEMS."

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, 2023, the most recent measurement date of the net OPEB liability, approximately 211,000 retirees were enrolled to receive health benefits and approximately 214,000 to receive dental benefits. Employees vest for those benefits after serving from 10 to 25 years (depending on date of hire) with the state. 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, 2023, 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, 2024. 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 2.30 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, 2023, reports a TOL of $92.03 billion, of which $85.18 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 24 years.

The TOL increased from $87.54 billion as of June 30, 2022, to $92.03 billion as of June 30, 2023, representing a change of $4.49 billion. If the previous assumptions had been realized, the TOL would have increased by $3.73 billion, to $91.28 billion as of June 30, 2023. The primary factors resulting in the $0.75 billion of unexpected increase in actuarial liabilities include:

- Demographic experience slightly decreased the expected actuarial liabilities by 0.06 percent or $0.05 billion.

- During the year, favorable healthcare claims experience and plan design changes decreased the expected total OPEB liability by approximately 0.16 percent or $0.15 billion. This change in TOL is mainly driven by the relationship between the assumed trend rate used to project average member claims cost in 2023 (used in the prior year's actuarial valuation) and the actual trend rate for 2023 (used to update average per member claim costs) and the actual trend rate for the 2024 premium increases. During plan year ending June 30, 2023, average per member claim costs were slightly lower than assumed, after considering the migration to the PERS Platinum and PERS Gold healthcare plans.

- The participation rates, plan election assumptions, and other healthcare related assumptions other than trend were updated as part of the experience study covering the period July 1, 2018, to June 30, 2022. Updates to these assumptions caused the TOL to increase by 0.28 percent or $0.25 billion.

- 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 the Employer Group Waiver Plan and the Inflation Reduction Act adjustment increased the liabilities by about 3.09 percent or $2.8 billion.

- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2022, which ranged from 3.69 percent to 4.24 percent, to the blended discount rate as of June 30, 2023, which ranges from 3.86 percent to 4.38 percent, decreased the total OPEB liability by 2.33 percent or $2.1 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.

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The following table presents information related to the actuarial funding costs assuming a full-funding policy and GASB Statement No. 75 Accounting and Reporting for OPEB – effective beginning in fiscal year 2018-19, 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)
2018-19	$4.39	$2.68	$61	$93.51	$91.93
2019-20	4.41	3.01	68	97.88	95.19
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

(a) Long-term assumed return on assets is 6.00% for full funding.
Source: State of California OPEB Valuation as of June 30, 2023, under GASB Statement No. 75 (State Controller's Office).

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

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]
2021-22	$2,019,384	$2,019,384	$355,869	$1,292,000[e]	$926,000[e]	$3,667,253	$3,301,253
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[a]	2,714,608	2,714,608	487,476	682,000	365,000	3,880,084	3,563,084
2025-26[a]	3,030,127	3,030,127	541,880	716,000	385,000	4,288,007	3,957,007

(a) Estimated Contributions.

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

(c) Amount reflects the employer contribution to pay down the OPEB unfunded liability.

(d) Contributions for postemployment benefits are included for all years displayed in this table.

(e) Amount includes a one-time prefunding contribution of $616 million pursuant to the 2021-22 Budget.

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 $85.2 billion (as of June 30, 2023) 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 2024-25, the trust fund balance is expected to exceed $8.9 billion in assets.

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

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 Governor's Budget includes $385 million in one-time Proposition 2 funding for the same purpose.

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). Strong revenue growth, coupled with more moderate growth in the appropriations limit, served to reduce the room under the limit. Two of the three growth factors, the change in civilian population and the change in TK-14 average daily attendance, have dropped to less than 1 percent and have been negative, respectively, in a number of recent years.

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 2025-26 Governor's Budget estimates an increase of $8.8 billion in the Appropriations Limit in fiscal year 2025-26.

The 2025-26 Governor's Budget estimates that the state is under the limit in fiscal years 2023-24, 2024-25 and 2025-26 by $17.3 billion, $10.3 billion and $25.7 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 2021-22 through 2025-26.

TABLE 18
State Appropriations Limit
(Dollars in Millions)

	Fiscal Year				
	2021-22	**2022-23**	**2023-24**	**2024-25**	**2025-26**
State Appropriations Limit	$125,695	$135,650	$141,492	$147,597	$166,007
Appropriations Subject to Limit	(104,049)	(104,826)	(124,164)[a]	(137,252)[a]	(140,289)[a]
Amount (Over)/Under Limit	$21,646	$30,824	$17,328[a]	$10,345[a]	$25,718[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 2024 Budget Act and no changes are proposed in the 2025-26 Governor’s Budget.

Another part of the state-local agreement includes Proposition 1A of 2004, which, among other things, amended the state Constitution to reduce the Legislature’s authority over local government revenue sources by placing restrictions on the state’s access to local governments’ property 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 2025-26 Governor's Budget, statewide property tax revenues were estimated to increase 6.1 percent in fiscal year 2024-25 and 5.7 percent in fiscal year 2025-26. 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 2025-26 Governor's Budget estimates that schools will receive an additional $3.3 billion in fiscal year 2024-25 and $3.5 billion in fiscal year 2025-26 from property tax revenues. Such additional revenues are projected to average $4.2 billion per year from fiscal year 2026-27 through fiscal year 2029-30, 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 2025-26: (1) a state special fund sales tax of 1.0625 percent (projected to total $9.9 billion) and (2) $892.6 million in VLF, projected as of the 2025-26 Governor's Budget. 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 2025-26.

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. EDD's January 2025 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 $21.3 billion at the end of calendar 2024. Using the current economic outlook and unemployment projections, the principal amount of the state UI Fund federal loan is projected to be $22.7 billion at the end of calendar year 2025 and $22.9 billion at the end of calendar year 2026. As stated above, the increase to the UI Fund federal loan is due to the projected UI disbursements being higher than the estimated 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 fiscal year 2022-23 to reduce the principal amount of the state's UI Fund federal loan. 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 in 2023.

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 2025-26 Governor's Budget proposes approximately $634 million General Fund for the anticipated interest payment due September 30, 2025.

Due to the current outstanding principal balance for the UI Fund Federal Loan, the annual interest payment is estimated to range between $600 million to $675 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 debt is the result of fraudulent claims filed with EDD, although most fraud occurred in the much larger federal pandemic unemployment programs funded by the federal government and administered by the state. As of January 2025, of the $199 billion in state UI and federal pandemic benefit payments issued since March 2020, $20.3 billion was estimated to be fraudulent. The state UI program accounted for $54.5 billion of the $199 billion in UI benefit payments and approximately $1.3 billion of the $20.3 billion in estimated payments of fraudulent claims. The remaining $19 billion in estimated fraud 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 $19 billion of fraudulent payments related to federal pandemic unemployment programs (or fraudulent payments by other states), but does require EDD to make efforts to recover such payments. Recovered fraudulent payments will be remitted to the UI program from which such fraudulent 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 fraudulent claims 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 fraudulent payments.

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").

See "RECENT DEVELOPMENTS— Los Angeles County Tax Deadline Delay."

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 2025-26 Governor's

Budget, the General Fund was projected to have at least $66 billion of internal funds (excluding the BSA, SFEU and the PSSSA) available to borrow through fiscal year 2024-25. See "—Inter-Fund Borrowings" for a further description of this process.

One fund from which moneys may be borrowed to provide additional cash resources to the General Fund is the BSA, which increased from $17.3 billion in July 2024 to $17.6 billion in September 2024. The balance of the BSA as of January 31, 2025, remains at $17.6 billion and is projected to remain the same until the end of fiscal year 2024-25 according to the 2025-26 Governor's Budget. 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 2020-21 through 2023-24, and estimates for fiscal year 2024-25 based on the 2025-26 Governor's Budget. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

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

	Fiscal year ended June 30[a]				
	2022	**2023[b]**	**2024**	**2025[c]**	**2026[c]**
Internal Borrowable Resources	$ 77,112	$ 100,663	$ 105,966	$ 92,939	$ 96,533
Less Reserve for PMIA and SMIF loans	4,712	3,090	2,626	2,665	2,665
Available Borrowable Resources	$ 72,400	$ 97,573	$ 103,340	$ 90,274	$ 93,868
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	$ 72,400	$ 97,573	$ 103,340	$ 90,274	$ 93,868

(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, 2022 through June 30, 2024: State of California, Office of the State Controller. Fiscal years ending June 30, 2025 and June 30, 2026: 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 2023-24, 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 2024-25. See "—Cash Management in Fiscal Years 2024-2025 and 2025-26" below.

Cash Management in Fiscal Years 2024-25 and 2025-26

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 2024-25, the tenth consecutive year in which external borrowing is not required.

The state has maintained significant cash resources over the last several years, and the 2025-26 Governor's Budget cash flow estimates for fiscal year 2025-26 indicate that this trend will continue. As a result, the state does not currently anticipate utilizing external borrowing in fiscal year 2025-26. 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 2024-25, the lowest projected amount of unused borrowable resources is approximately $90 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 2024-25.

- 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 January 1, 2025, is set forth in the following table. For greater detail, see the table "Authorized and Outstanding General Obligation Bonds" following the caption "STATE DEBT TABLES." Monthly updates of the State Debt Tables are available at www.buycaliforniabonds.com.

General Obligation Bonds
(as of January 1, 2025)

Authorized and Outstanding		Authorized but Unissued*	
Primarily Payable from General Fund	Self-Liquidating	Primarily Payable from General Fund	Self-Liquidating
$70.9 billion	$761.1 million	$45.3 billion	$653.8 million

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

2. *Variable Rate General Obligation Bonds*

The state's general obligation bond law permits the state to issue as variable rate indebtedness up to 20 percent of the aggregate amount of its long-term general obligation bonds outstanding. The State Treasurer has adopted a Debt Management Policy that, as of the date hereof, further reduces this limitation on variable rate indebtedness to 10 percent of the aggregate amount of long-term general obligation bonds outstanding. The terms of this policy, including this 10 percent limitation, can be waived or changed in the sole discretion of the State Treasurer. The state's long-term general obligation bonds issued as variable rate indebtedness are described generally in the following table and, as of January 1, 2025, represent about 1.77 percent of the state's total outstanding general obligation bonds.

Type of Bonds	Outstanding Principal Amount ($000) as of January 1, 2025	Current Variable Rate Interest Mode	Liquidity Support[(a)]
General Obligation	$1,266,500	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 January 1, 2025, 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 or marketed, respectively, 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 less than five years) than the repayment period otherwise applicable to the VRDOs. In addition, after the occurrence of certain events of default as specified in a 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 January 1, 2025, is set forth in the following table.

General Fund Supported Lease Revenue Obligations
(As of January 1, 2025)

Outstanding	Authorized but Unissued
$8.4 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 January 1, 2025, the state has approximately $11.3 billion of outstanding BAB general obligation bonds and $332 million of outstanding BAB lease-revenue bonds. As of January 1, 2025, the aggregate amount of the subsidy payments expected to be received for the remaining part of fiscal year 2024-25 through the maturity of the outstanding BABs (mostly 20 to 30 years from issuance) is approximately $3.7 billion for the general obligation BABs and $71 million for the

SPWB lease-revenue BABs. The estimated subsidy amounts include the expected 5.7 percent reduction to the BAB subsidy 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. The amount of this reduction has been less than $30 million annually and such reductions are presently scheduled to continue through September 30, 2031.

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 2026 and remain in place through, for example, calendar year 2029, the state's BAB subsidy payments would be reduced by approximately $288 million for calendar year 2026 and would be reduced by approximately $285 million per calendar year for 2027 and 2028.

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 and accounting for bonds sold in this fiscal year through January 31, 2025, the State Treasurer's Office estimates approximately $3.7 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $1 billion of new money lease-revenue bonds will be issued through the end of fiscal year 2024-25. In fiscal year 2025-26, the Department of Finance estimates issuance of approximately $6.1 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $2.8 billion in lease revenue bonds. The estimates for fiscal year 2025-26 will be updated by the Department of Finance based on updated information provided by departments. The actual amount of bonds sold will 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 contained in the 2025-26 Governor's Budget and the bond issuance estimates described in the paragraph above, the General Fund Debt Ratio is projected to equal approximately 3.66 percent in fiscal year 2024-25 and 3.82 percent in fiscal year 2025-26.

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 fiscal year 2024-25 and $1.8 billion for fiscal year 2025-26. Including the projected offsets reduce the General Fund Debt Ratio to 2.87 percent in fiscal year 2024-25 and 3.01 percent in fiscal year 2025-26. 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 2019-20 THROUGH 2023-24" 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 December 1, 2024, these bonds had an outstanding principal amount of approximately $1.9 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, 2024, 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, 2024. 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

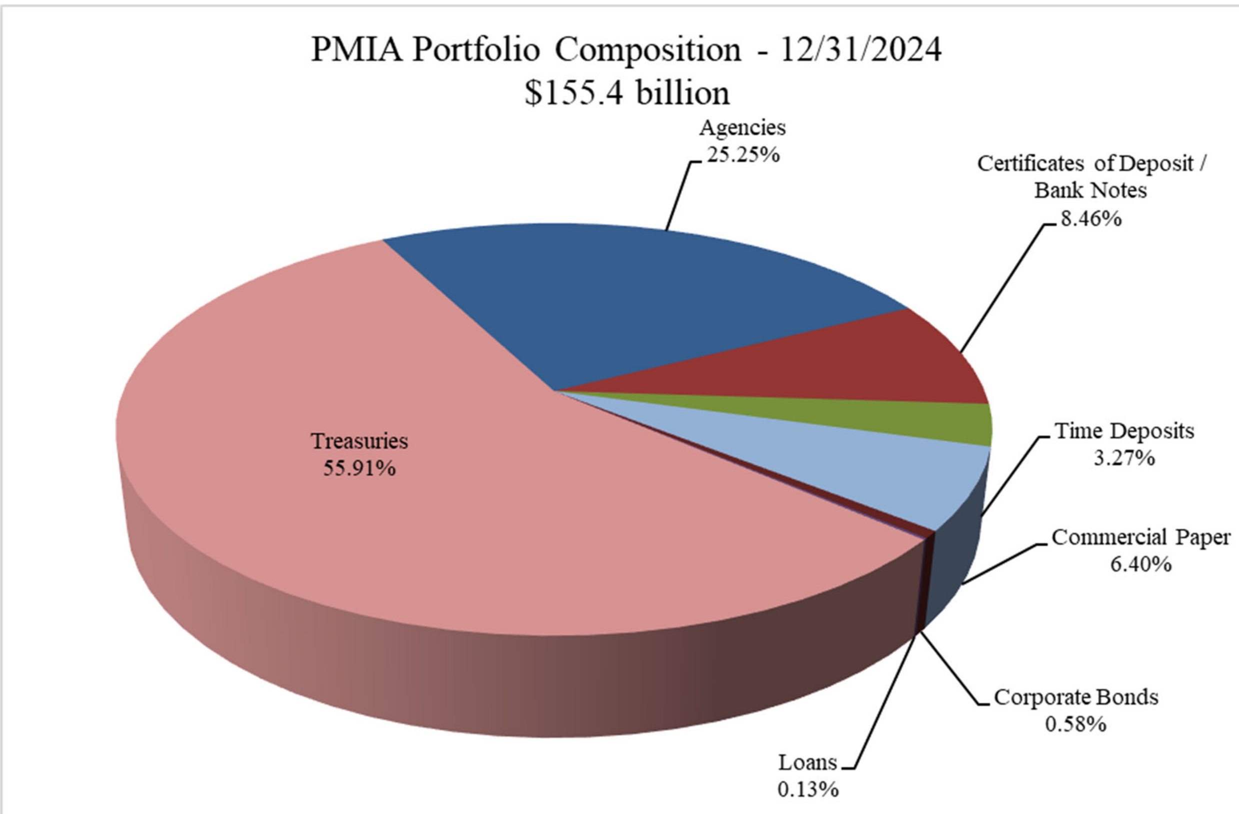
The Department of Health Care Access and Information (formerly known as the Office of Statewide Health Planning and Development) ("HCAI") insures loans and bonds that finance and refinance construction and renovation projects for nonprofit and publicly owned healthcare facilities. This program ("Cal-Mortgage 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. In December 2016, HCAI, the Department of Finance, and the State Treasurer's Office entered into a memorandum of understanding that outlined the processes for the (i) issuance of debentures; (ii) payment of debentures from the General Fund should the Fund fail to pay the debentures; and (iii) repayment to the General Fund for any money paid for debentures.

As of November 30, 2024, HCAI insured 59 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately $1.3 billion, and a cash balance of approximately $140.5 million. The actuarial study of the Fund (a biennial study) as of June 30, 2022, was completed in November 2024 (the "2022 actuarial study"). Based upon a number of assumptions, the 2022 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 2051-52. Even under the "most pessimistic scenario," the 2022 actuarial study found that there was a 70 percent likelihood that the Fund's reserves as of June 30, 2022 would protect against any General Fund losses until at least fiscal year 2031-32, and a 90 percent likelihood that the Fund's reserves as of June 30, 2022 would protect against any General Fund losses until at least fiscal year 2027-28.

INVESTMENT OF STATE FUNDS

Moneys on deposit in the centralized State Treasury System are invested by the State Treasurer in the PMIA. As of December 31, 2024, the PMIA held approximately $134.4 billion of state moneys and $21.0 billion invested for about 2,337 local governmental entities through the Local Agency Investment Fund ("LAIF"). The assets of the PMIA as of December 31, 2024, 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 $1.97 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.



Percentages may not total 100%, due to rounding.

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

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

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

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

The average life of the investment portfolio of the PMIA as of December 31, 2024, was 252 days. Over the prior 12 months, the average life has ranged from 257 days to 212 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.

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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, FTB and California Transportation Commission, which have authority over certain functions of state government with the power to establish policy and promulgate regulations. The appointment of members of boards and commissions is usually shared by the Legislature and the Governor, and often includes ex officio members.

Employee Relations

At the 2025-26 Governor's Budget, the state work force for fiscal year 2025-26 was estimated at approximately 436,000 positions. Approximately 181,000 of those positions represent state employees of the legislative and judicial branches of government, and institutions of higher education. Of the remaining 255,000 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 ($85.2 billion as of the latest actuarial valuation report on June 30, 2023) through shared prefunding of program costs along with other cost containment strategies. See “STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs.”

Collective bargaining negotiations have commenced with bargaining units representing Attorneys and Hearing Officers; Correctional Officers; Professional Engineers; Stationary Engineers; Physicians, Dentists, and Podiatrists; Psychiatric Technicians; and Health and Social Services/Professionals, whose contracts or side letter agreements expire in summer 2025.

ECONOMY AND POPULATION

California’s economy, the largest among the 50 states and the fifth largest in the world, has major components in high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. The makeup of the state economy generally mirrors that of the national economy. See “GOVERNOR’S PROPOSED BUDGET FOR FISCAL YEAR 2025-26—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 39.2 million as of July 2024, an increase of 0.12 percent from the previous year. Since 2010, the state has grown by approximately 1.8 million persons. Births for fiscal year 2023-24 totaled approximately 400,500, a decline of approximately 2.4 percent from fiscal year 2022-23; 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 continue to surpass the number of individuals moving into the state. In fiscal year 2023-24, net migration was negative 63,000. Foreign immigration recovered to pre-pandemic levels while net domestic out-migration declined but continued to exceed net international migration.

The 2023 total fertility rate in California, at 1.49 children per woman, is lower than the U.S. total fertility rate (1.62); both have shown steady declines in recent years. Low fertility may lead to declining school enrollment and reductions in the size of the future labor force, although those effects may be mitigated by migration patterns, labor force participation rates, and other factors affecting school enrollment and attendance rates.

California’s life expectancy at birth was approximately 81.2 years in 2020, among the highest of any U.S. state and well above the national life expectancy at birth of 78.4 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 22 percent of Californians under 18 years and 16.4 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 39.5 million in 2028), and the 25-64 year old working-age population is anticipated to decrease from approximately 20.3 million in 2024 to 19.9 million in 2028 (-2 percent). Among younger ages, the 5-17 year old school-age group is expected to decline from 6.5 million in 2024 to 6 million in 2028 (-6.8 percent) and the 18-24 year old college-age group is expected to increase from 3.9 million in 2023 to 4.3 million in 2028 (12 percent). Related to lower births in recent years, the 0-4 preschool-age group is expected to decrease from 2.1 million in 2024 to almost 2 million in 2028 (-5.9 percent). The population of the 65-and-older retirement-age group is expected to expand rapidly, from approximately 6.4 million in 2024 to 7.3 million in 2028 (3 percent).

In long-term projections, California's population growth has slowed and is projected to grow marginally from approximately 39.2 million in 2024 to 41.2 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, but projected gains from migration—in line with California's historical patterns—bolster younger age groups in each projection year. 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 15,700 fewer deaths in fiscal year 2022-23 compared to fiscal year 2021-22. Births declined approximately 24,500 from fiscal year 2019-20 to fiscal year 2020-21 and increased by approximately 11,500 in fiscal year 2021-22. Births declined in fiscal year 2022-23 by approximately 13,800.

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
2015	38,913,507	0.7	320,738,994	0.7	12.1
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	39,535,726	0.0	331,577,720	1.0	11.9
2021	39,229,543	-0.8	332,099,760	0.2	11.8
2022	39,149,809	-0.2	334,017,321	0.6	11.7
2023	39,123,861	-0.1	336,806,231	0.8	11.6
2024	39,172,742	0.1	340,110,988	1.0	11.6

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 2024 estimates). The reference date for all estimates is July 1, unless otherwise specified.

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**	**Employment**	**California**	**United States**
2015	18,824	17,647	6.3%	5.3%
2016	19,012	17,965	5.5	4.9
2017	19,185	18,258	4.8	4.4
2018	19,290	18,470	4.3	3.9
2019	19,385	18,590	4.1	3.7
2020	18,959	17,037	10.2	8.1
2021	18,957	17,569	7.3	5.3
2022	19,169	18,349	4.3	3.6
2023	19,308	18,388	4.8	3.6
2024	19,365	18,328	5.4	4.0

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

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The following table shows California's nonfarm payroll employment and distribution of employment for 2014 and 2024 by major sector.

TABLE 22
Nonfarm Payroll Employment by Major Sector
2014 and 2024
(Thousands)

	Employment		Distribution of Employment	
Industry Sector	**2014**	**2024**	**2014**	**2024**
Mining and Logging	29.4	19.8	0.2%	0.1%
Construction	674.7	924.6	4.3	5.1
Manufacturing	--	--	--	--
Nondurable Goods	476.8	460.0	3.1	2.5
Durable Goods	--	--	--	--
High Technology	344.3	372.2	2.2	2.1
Other Durable Goods	461.1	473.9	3.0	2.7
Trade, Transportation & Utilities	2,827.1	3,114.9	18.2	17.4
Information	468.3	525.8	3.0	2.9
Financial Activities	782.4	808.6	5.2	4.5
Professional & Business Services	2,427.6	2,779.6	15.6	15.4
Private Educational & Health Services	2,378.2	3,263.5	15.3	15.4
Leisure & Hospitality	1,757.0	2,038.0	11.3	11.3
Other Services	535.0	600.0	3.4	3.3
Government	--	--	--	--
Federal Government	242.5	253.5	1.6	1.4
State & Local Government	2,171.5	2,415.4	13.9	13.4
TOTAL	**15,575.7**	**18,049.7**	**100.0%**	**100.0%**

Totals may not add due to rounding.

Source: State of California, Employment Development Department.

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

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

Year	Total Personal Income	Annual % Change	California % of U.S.
2014	$1,955,718	6.2	13.2
2015	2,097,050	7.2	13.6
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	2,769,103	9.0	14.1
2021	3,009,557	8.7	14.1
2022	3,003,826	-0.2	13.6
2023	3,166,135	5.4	13.5

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

Preliminary annual data for 2024 will be available on March 28, 2025.

TABLE 24
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2014	$50,619	5.3	$46,287	4.2	109.4
2015	53,817	6.3	48,060	3.8	112.0
2016	55,863	3.8	48,971	1.9	114.1
2017	58,214	4.2	51,004	4.2	114.1
2018	60,984	4.8	53,309	4.5	114.4
2019	64,219	5.3	55,566	4.2	115.6
2020	70,098	9.2	59,123	6.4	118.6
2021	76,882	9.7	64,460	9.0	119.3
2022	76,941	0.1	66,244	2.8	116.1
2023	81,255	5.6	69,810	5.4	116.4

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

Preliminary annual data for 2024 will be available on March 28, 2025.

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The following tables show ten years of certain information with respect to residential construction in California.

TABLE 25
Units and Valuation of New Housing Authorized by Building Permits
(Dollars in Millions)

	Units			Residential
Year	**Total Number**	**Single-Family**	**Multi-Family**	**Valuation**
2015	98,188	45,644	52,544	$22,637
2016	102,350	50,311	52,039	24,045
2017	114,780	57,132	57,648	27,782
2018	113,502	58,831	54,671	27,845
2019	110,197	58,575	51,622	26,583
2020	106,075	59,043	47,032	25,423
2021	119,436	65,890	53,546	28,725
2022	120,780	63,628	57,152	29,021
2023	111,760	58,534	53,226	27,863
2024	99,959	60,639	39,320	26,894

Note: U.S. Census Bureau residential valuation does not include additions and alterations.

Source: U.S. Census Bureau.

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

TABLE 26
California's Exports of Goods
(Dollars in Millions)

Year	Exports[(a)]	Annual % Change
2015	$165,360	(4.9)
2016	163,261	(1.3)
2017	171,920	5.3
2018	178,175	3.6
2019	173,755	(2.5)
2020	155,919	(10.3)
2021	174,810	12.1
2022	186,162	6.5
2023	178,844	(3.9)
2024	183,343	2.5

[(a)] Origin of Movement (OM) series.

Source: U.S. Census Bureau.

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 February 27, 2025

Program	Series	Outstanding Par Amount	Credit Provider*	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A1	$31,600,000	Barclays Bank PLC	8/25/2025	LOC	Daily
GO VRDOs	2003C1	63,600,000	TD Bank, N.A.	5/10/2028	LOC	Weekly
GO VRDOs	2004A2 & 3	61,400,000	State Street Bank & Trust Company	12/29/2025	LOC	Daily
GO VRDOs	2004 A9	20,500,000	State Street Bank & Trust Company	12/29/2025	LOC	Weekly
GO VRDOs	2005A2-1	143,200,000	Sumitomo Mitsui Banking Corporation	5/8/2026	LOC	Weekly
GO VRDOs	2005B1	147,100,000	Wells Fargo Bank, National Association	2/25/2028	LOC	Weekly
GO VRDOs	2005B3	49,100,000	Sumitomo Mitsui Banking Corporation	5/8/2026	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		**$1,266,500,000**				
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	10/10/2025	LOC	Up to 90 days
GO CP[(a)]	A3/B3	250,000,000	UBS AG, Stamford Branch	12/5/2025	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.	7/17/2026	LOC	Up to 90 days
GO CP[(a)]	A7/B7	300,000,000	State Street Bank & Trust Company	12/7/2027	LOC	Up to 90 days
GO CP[(a)]	A8/B8	125,000,000	Bank of Montreal, Chicago Branch	12/12/2025	LOC	Up to 90 days
	Total GO CP	**$2,450,000,000**				
Grand Total		**$3,716,500,000**				

(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.

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 January 1, 2025.

$856,095,000 of State of California Federally Taxable Various Purpose General Obligation Bonds and Federally Taxable Various Purpose General Obligation Refunding Bonds were issued on March 27, 2025. This issue includes $30,475,000 of refunding bonds the proceeds of which (together with premium paid by purchasers of the refunding bonds) refunded $31,665,000 of outstanding General Obligation Bonds.

$150,000,000 of State of California Veterans General Obligation Bonds, Series CX (Non-AMT) were sold on March 25, 2025, and are expected to be issued on April 10, 2025.

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OUTSTANDING STATE DEBT
FISCAL YEARS 2019-20 THROUGH 2023-24
(Dollars in Thousands Except for Per Capita Information)

	2019-20	2020-21 (a)	2021-22 (b)	2022-23 (c)	2023-24
Outstanding Debt (d)					
General Obligation Bonds					
General Fund (Non-Self Liquidating)...................	$ 71,968,035	$ 70,837,455	$ 69,215,805	$ 70,666,075	$ 71,742,195
Enterprise Fund (Self Liquidating).......................	$ 778,920	$ 586,850	$ 525,695	$ 662,785	$ 634,480
Total General Obligation Bonds..............................	**$ 72,746,955**	**$ 71,424,305**	**$ 69,741,500**	**$ 71,328,860**	**$ 72,376,675**
Revenue Bonds					
Lease-Revenue Debt...	$ 8,477,095	$ 8,337,925	$ 8,388,130	$ 7,829,965	$ 8,565,900
Total Revenue Bonds………..............................	**$ 8,477,095**	**$ 8,337,925**	**$ 8,388,130**	**$ 7,829,965**	**$ 8,565,900**
Total Outstanding General Obligation and Revenue Bonds...	**$ 81,224,050**	**$ 79,762,230**	**$ 78,129,630**	**$ 79,158,825**	**$ 80,942,575**
Bond Sales During Fiscal Year					
Non-Self Liquidating General Obligation Bonds...	$ 7,763,245	$ 6,313,765	$ 6,639,495	$ 8,590,580	$ 8,300,640
Self Liquidating General Obligation Bonds...........	$ 0	$ 96,680	$ 0	$ 167,130	$ 0
Lease-Revenue Debt..	$ 487,500	$ 437,180	$ 2,055,580	$ 776,955	$ 1,924,970
Debt Service (e)					
Non-Self Liquidating General Obligation Bonds...	$ 6,966,463	$ 6,997,006	$ 6,901,633	$ 6,778,871	$ 6,907,030
Lease-Revenue Debt..	$ 957,788	$ 950,782	$ 860,438	$ 836,812	$ 848,021
General Fund Receipts (f)......................................	$ 127,446,834	$ 226,200,168	$ 245,820,459	$ 174,196,665	$ 215,048,016
Non-Self Liquidating General Obligation Bonds Debt Service as a Percentage of General Fund Receipts...	**5.47%**	**3.09%**	**2.81%**	**3.89%**	**3.21%**
Lease-Revenue Debt Service as a Percentage of General Fund Receipts.................	**0.75%**	**0.42%**	**0.35%**	**0.48%**	**0.39%**
Population (g)..	39,529,566	39,541,722	39,246,702	39,146,273	39,109,070
Non-Self Liquidating General Obligation Bonds Outstanding per Capita...	**$ 1,820.61**	**$ 1,791.46**	**$ 1,763.61**	**$ 1,805.18**	**$ 1,834.41**
Lease-Revenue Debt Outstanding per Capita.........	**$ 214.45**	**$ 210.86**	**$ 213.73**	**$ 200.02**	**$ 219.03**
Personal Income (h)..	$ 2,539,747,000	$ 2,769,103,000	$ 3,009,557,000	$ 3,003,826,000	$ 3,166,135,000
Non-Self Liquidating General Obligation Bonds Outstanding as Percentage of Personal Income....	**2.83%**	**2.56%**	**2.30%**	**2.35%**	**2.27%**
Lease-Revenue Debt Outstanding as Percentage of Personal Income............................	**0.33%**	**0.30%**	**0.28%**	**0.26%**	**0.27%**

(a) Does not include $1.1 billion of general obligation bonds (general fund (non-self liquidating)) and $1.2 billion in lease-revenue debt sold in this fiscal year on a forward delivery basis and issued in fiscal year 2021-22 (the “2021 Forward Delivery Bonds”).
(b) Does not include $299.1 million in lease-revenue debt sold in this fiscal year on a forward delivery basis and issued in fiscal year 2022-23 (the "2022 Forward Delivery Bonds"). Includes the 2021 Forward Delivery Bonds.
(c) Includes the 2022 Forward Delivery Bonds.
(d) Principal outstanding as of July 1 of the next fiscal year.
(e) 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.
(f) Calculated on a cash basis. General Fund Receipts includes both revenues and nonrevenues, such as borrowings, the proceeds of which are deposited in the General Fund (e.g. tobacco securitization bonds).
(g) See Table 20 of Appendix A.
(h) 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 January 1, 2025
(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	8,055	0	0
	1990 School Facilities Bond Act [b]	123	06/05/90	797,875	7,255	0	0
	1992 School Facilities Bond Act [b]	155	11/03/92	898,211	11,575	0	0
	Behavioral Health Infrastructure Bond Act of 2024	1	03/05/24	6,380,000	0	4,095	6,375,905
	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 [f]	40	03/05/02	2,596,643	1,468,930	9,340	93,248
	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	1,502,475	34,445	2,376,830
	California Library Construction and Renovation Bond Act of 1988 [b]	85	11/08/88	72,405	1,435	0	0
*	California Park and Recreational Facilities Act of 1984 [b]	18	06/05/84	368,900	1,160	0	0
	California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	14	03/07/00	350,000	181,700	0	5,040
*	California Safe Drinking Water Bond Law of 1976 [b]	3	06/08/76	172,500	580	0	0
*	California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	250	0	0
*	California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	3,255	0	0
	California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	8,280	0	0
	California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	815,940	21,450	32,590
	California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	966,245	0	4,533,755
*	California Wildlife, Coastal, and Park Land Conservation Act [b]	70	06/07/88	768,670	15,250	0	0
	Children's Hospital Bond Act of 2004	61	11/02/04	750,000	515,365	475	750
	Children's Hospital Bond Act of 2008	3	11/04/08	980,000	729,170	4,530	37,785
	Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	274,125	100,580	1,077,465
	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	849,270	0	0
	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	1,761,655	65	35
*	Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	180,645	0	0
*	Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	530	0	0
	Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	2,500	0	0
	County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	4,690	0	0
	Disaster Preparedness and Flood Prevention Bond Act of 2006 [e] [h]	1E	11/07/06	3,960,560	2,786,745	23,040	197,072
	Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 [g]	122	06/05/90	292,510	1,900	0	0
*	Fish and Wildlife Habitat Enhancement Act of 1984	19	06/05/84	85,000	1,745	0	0
	Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	4,175	0	0
	Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	5,750	0	540
	Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	30,555	0	0
	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	12,502,415	73,765	569,825
	Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	114,925	2,315	52,275
	Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	753,005	24,040	178,685
	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	0	0	1,500,000
	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	0	0	8,500,000
	Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	1,039,700	1,030	782,140
	Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	5,374,685	2,325	157,725
	Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	909,880	0	0
	Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	5,356,190	0	5,455
	Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,398,140	4,470	53,549
	Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	5,680,075	0	16,160
	Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,333,165	0	38,775
	Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	4,953,250	29,440	77,655
*	New Prison Construction Bond Act of 1986	54	11/04/86	500,000	765	0	0
	New Prison Construction Bond Act of 1988	80	11/08/88	817,000	1,585	0	1,245
	New Prison Construction Bond Act of 1990	120	06/05/90	450,000	460	0	605
	Public Education Facilities Bond Act of 1996 (Higher Education)	203	03/26/96	975,000	171,420	0	4,650

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2025
(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	242,750	0	0
	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act [e]	13	03/07/00	1,884,000	820,265	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	3,124,485	45,565	543,752
	Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024	4	11/05/24	10,000,000	0	0	10,000,000
	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	817,355	3,365	8,625
	Safe, Clean, Reliable Water Supply Act [e]	204	11/05/96	969,500	268,195	0	62,915
	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	6,070,745	67,955	1,231,155
*	School Building and Earthquake Bond Act of 1974	1	11/05/74	150,000	2,660	0	0
	School Facilities Bond Act of 1990	146	11/06/90	800,000	10,190	0	0
	School Facilities Bond Act of 1992	152	06/02/92	1,900,000	13,810	0	10,280
	Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	484,990	0	0
*	State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	535	0	0
	Veterans Homes Bond Act of 2000	16	03/07/00	50,000	29,455	0	975
	Veterans Housing and Homeless Prevention Bond Act of 2014	41	06/03/14	600,000	253,910	29,345	283,395
	Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	949,480	15,405	1,991,600
	Voting Modernization Bond Act of 2002	41	03/05/02	200,000	22,375	0	10,430
	Water Conservation Bond Law of 1988 [g]	82	11/08/88	54,765	3,840	0	0
*	Water Conservation and Water Quality Bond Law of 1986 [e]	44	06/03/86	136,500	5,175	0	230
	Water Quality, Supply, and Infrastructure Improvement Act of 2014 [f]	1	11/04/14	7,465,000	3,019,540	48,105	3,761,365
	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 [e]	50	11/05/02	3,345,000	2,042,775	15,840	156,349
	Total General Fund Bonds			**182,247,176**	**70,913,395**	**560,985**	**44,774,176**
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	144,255	0	0
	Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	452,790	0	486,235
	Total Enterprise Fund Bonds			**5,710,000**	**761,080**	**0**	**653,835**
	TOTAL GENERAL OBLIGATION BONDS			**187,957,176**	**71,674,475**	**560,985**	**45,428,011**

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 January 1, 2025

Fiscal Year Ending June 30	Interest	Principal	Total [(a)]
2025 [(b)]	14,388,340.99	-	14,388,340.99
2026	27,293,771.29	8,510,000.00	35,803,771.29
2027	26,804,606.29	28,535,000.00	55,339,606.29
2028	26,050,076.91	25,950,000.00	52,000,076.91
2029	25,247,475.65	30,265,000.00	55,512,475.65
2030	24,044,935.02	45,625,000.00	69,669,935.02
2031	22,536,205.02	45,370,000.00	67,906,205.02
2032	21,239,951.27	31,070,000.00	52,309,951.27
2033	20,057,386.27	37,320,000.00	57,377,386.27
2034	18,832,961.27	34,240,000.00	53,072,961.27
2035	17,919,915.02	20,585,000.00	38,504,915.02
2036	17,248,626.27	21,520,000.00	38,768,626.27
2037	16,533,143.77	22,515,000.00	39,048,143.77
2038	15,774,154.39	23,555,000.00	39,329,154.39
2039	15,052,460.01	19,050,000.00	34,102,460.01
2040	14,372,065.01	19,960,000.00	34,332,065.01
2041	13,566,815.01	26,190,000.00	39,756,815.01
2042	12,617,440.01	27,935,000.00	40,552,440.01
2043	11,592,065.01	29,670,000.00	41,262,065.01
2044	10,501,973.76	29,965,000.00	40,466,973.76
2045	9,375,695.63	29,355,000.00	38,730,695.63
2046	8,205,882.50	30,580,000.00	38,785,882.50
2047	7,005,815.00	30,050,000.00	37,055,815.00
2048	5,902,750.00	24,945,000.00	30,847,750.00
2049	4,930,885.00	20,915,000.00	25,845,885.00
2050	4,021,040.00	19,570,000.00	23,591,040.00
2051	3,131,906.25	19,380,000.00	22,511,906.25
2052	2,253,817.50	17,835,000.00	20,088,817.50
2053	1,353,640.00	19,285,000.00	20,638,640.00
2054	682,778.75	9,765,000.00	10,447,778.75
2055	240,077.50	11,570,000.00	11,810,077.50
Total	**$ 418,778,656.37**	**$ 761,080,000.00**	**$ 1,179,858,656.37**

(a) Includes scheduled mandatory sinking fund payments.

(b) Represents the remaining debt service requirements from February 1, 2025 through June 30, 2025.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Fixed Rate
As of January 1, 2025

Fiscal Year Ending June 30	Interest [a]	Principal	Total [b]
2025 [c]	1,742,757,805.87	955,230,000.00	2,697,987,805.87
2026	3,426,180,072.48	3,537,265,000.00	6,963,445,072.48
2027	3,251,578,521.69	3,901,125,000.00	7,152,703,521.69
2028	3,080,015,025.35	3,822,210,000.00	6,902,225,025.35
2029	2,906,151,716.60	3,902,220,000.00	6,808,371,716.60
2030	2,707,338,596.56	4,469,780,000.00	7,177,118,596.56
2031	2,519,846,174.02	3,635,170,000.00	6,155,016,174.02
2032	2,345,728,196.52	3,918,390,000.00	6,264,118,196.52
2033	2,167,417,467.77	3,753,600,000.00	5,921,017,467.77
2034	2,002,981,020.24	3,961,240,000.00	5,964,221,020.24
2035	1,735,245,500.19	3,729,060,000.00	5,464,305,500.19
2036	1,555,161,010.17	3,304,725,000.00	4,859,886,010.17
2037	1,390,569,482.67	3,301,525,000.00	4,692,094,482.67
2038	1,220,485,033.90	3,469,560,000.00	4,690,045,033.90
2039	1,084,198,917.62	3,519,015,000.00	4,603,213,917.62
2040	790,313,151.37	2,322,480,000.00	3,112,793,151.37
2041	621,452,600.04	2,179,625,000.00	2,801,077,600.04
2042	509,167,509.41	1,688,660,000.00	2,197,827,509.41
2043	428,913,418.78	1,691,560,000.00	2,120,473,418.78
2044	352,139,568.78	1,016,615,000.00	1,368,754,568.78
2045	313,921,418.78	1,117,220,000.00	1,431,141,418.78
2046	257,092,962.53	1,144,865,000.00	1,401,957,962.53
2047	210,955,881.28	887,500,000.00	1,098,455,881.28
2048	168,685,759.40	900,000,000.00	1,068,685,759.40
2049	138,384,012.52	694,640,000.00	833,024,012.52
2050	107,518,012.52	825,000,000.00	932,518,012.52
2051	73,864,787.52	600,000,000.00	673,864,787.52
2052	60,286,662.51	350,000,000.00	410,286,662.51
2053	45,177,287.50	300,000,000.00	345,177,287.50
2054	22,838,643.75	598,615,000.00	621,453,643.75
2055	3,687,500.00	150,000,000.00	153,687,500.00
Total	**$ 37,240,053,718.34**	**$ 69,646,895,000.00**	**$ 106,886,948,718.34**

(a) The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service.
(b) Includes scheduled mandatory sinking fund payments. Does not include outstanding commercial paper.
(c) Represents the remaining debt service requirements from February 1, 2025 through June 30, 2025.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Variable Rate
As of January 1, 2025

Fiscal Year Ending June 30	Interest [a]	Principal	Total [b]
2025 [c]	11,534,392.30	33,900,000.00	45,434,392.30
2026	26,782,477.48	62,800,000.00	89,582,477.48
2027	24,975,075.77	8,000,000.00	32,975,075.77
2028	24,795,068.94	8,300,000.00	33,095,068.94
2029	24,480,696.43	11,800,000.00	36,280,696.43
2030	24,327,574.83	12,300,000.00	36,627,574.83
2031	23,633,960.77	108,200,000.00	131,833,960.77
2032	21,453,658.77	159,000,000.00	180,453,658.77
2033	18,589,249.95	111,600,000.00	130,189,249.95
2034	16,666,656.15	300,000.00	16,966,656.15
2035	16,657,780.00	-	16,657,780.00
2036	16,729,977.44	-	16,729,977.44
2037	16,585,582.53	-	16,585,582.53
2038	16,657,780.02	-	16,657,780.02
2039	16,657,779.98	-	16,657,779.98
2040	16,684,017.13	300,000.00	16,984,017.13
2041	16,717,070.65	-	16,717,070.65
2042	16,606,876.69	-	16,606,876.69
2043	16,606,876.71	-	16,606,876.71
2044	16,679,175.93	-	16,679,175.93
2045	16,451,289.83	75,000,000.00	91,451,289.83
2046	14,422,965.74	75,000,000.00	89,422,965.74
2047	12,435,602.74	75,000,000.00	87,435,602.74
2048	10,368,324.35	75,000,000.00	85,368,324.35
2049	8,199,671.93	75,000,000.00	83,199,671.93
2050	6,600,547.96	75,000,000.00	81,600,547.96
2051	5,007,157.53	75,000,000.00	80,007,157.53
2052	3,632,045.89	75,000,000.00	78,632,045.89
2053	2,154,471.86	75,000,000.00	77,154,471.86
2054	923,732.88	75,000,000.00	75,923,732.88
Total	**$ 464,017,539.18**	**$ 1,266,500,000.00**	**$ 1,730,517,539.18**

(a) The estimate of future interest payments is based on rates in effect as of January 1, 2025. The interest rates for the daily and weekly rate bonds range from 1.35 - 3.60%.

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

(c) Represents the remaining debt service requirements from February 1, 2025 through June 30, 2025.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR LEASE-REVENUE DEBT
Fixed Rate
As of January 1, 2025

Fiscal Year Ending June 30	Interest [a]	Principal	Total [b]
2025 [c]	203,637,692.07	218,665,000.00	422,302,692.07
2026	394,702,311.45	551,055,000.00	945,757,311.45
2027	366,913,379.70	582,510,000.00	949,423,379.70
2028	337,726,573.39	598,430,000.00	936,156,573.39
2029	307,730,852.72	571,250,000.00	878,980,852.72
2030	279,942,548.06	569,805,000.00	849,747,548.06
2031	252,030,004.55	566,860,000.00	818,890,004.55
2032	223,285,510.41	582,945,000.00	806,230,510.41
2033	193,303,806.35	533,615,000.00	726,918,806.35
2034	166,071,247.12	522,315,000.00	688,386,247.12
2035	138,817,736.34	490,605,000.00	629,422,736.34
2036	116,270,191.02	361,090,000.00	477,360,191.02
2037	99,336,937.52	354,250,000.00	453,586,937.52
2038	83,862,293.77	296,995,000.00	380,857,293.77
2039	70,870,831.27	253,380,000.00	324,250,831.27
2040	60,089,262.52	212,645,000.00	272,734,262.52
2041	52,358,971.89	126,630,000.00	178,988,971.89
2042	46,499,803.14	132,500,000.00	178,999,803.14
2043	40,390,750.02	138,590,000.00	178,980,750.02
2044	33,935,262.52	145,070,000.00	179,005,262.52
2045	27,173,650.02	151,805,000.00	178,978,650.02
2046	20,274,053.14	147,015,000.00	167,289,053.14
2047	13,401,381.26	132,615,000.00	146,016,381.26
2048	7,888,806.26	83,235,000.00	91,123,806.26
2049	3,812,540.63	85,800,000.00	89,612,540.63
2050	82,500.00	4,125,000.00	4,207,500.00
Total	**$ 3,540,408,897.14**	**$ 8,413,800,000.00**	**$ 11,954,208,897.14**

(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 February 1, 2025 through June 30, 2025.

SOURCE: State of California, Office of the Treasurer.

STATE PUBLIC WORKS BOARD
OUTSTANDING ISSUES
As of January 1, 2025

GENERAL FUND SUPPORTED LEASE-REVENUE ISSUES[(a)]:		Outstanding
State Public Works Board Issues (by Facility Lessee)		
Air Resources Board	$	282,135,000
Board of State and Community Corrections		172,090,000
California Community Colleges		74,110,000
California Department of Corrections and Rehabilitation		2,925,650,000
California Department of Forestry and Fire Protection		209,020,000
California Department of Veterans Affairs		190,280,000
Department of Developmental Services		62,380,000
Department of Education		96,990,000
Department of General Services		2,124,340,000
Department of Public Health		29,835,000
Department of State Hospitals		148,300,000
Judicial Council		1,843,540,000
Other State Facilities		158,325,000
Trustees of the California State University		96,805,000
Total State Public Works Board Issues	**$**	**8,413,800,000**
TOTAL GENERAL FUND SUPPORTED LEASE-REVENUE ISSUES	**$**	**8,413,800,000**

(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 January 1, 2025

Bond Program	Interest	Principal	Total [a]
GENERAL OBLIGATION BONDS			
General Fund Non-Self Liquidating Fixed Rate [b]	$ 37,240,053,718.34	$ 69,646,895,000.00	$ 106,886,948,718.34
General Fund Non-Self Liquidating Variable Rate [b][c]	$ 464,017,539.18	$ 1,266,500,000.00	$ 1,730,517,539.18
Enterprise Fund Self Liquidating Fixed Rate	$ 418,778,656.37	$ 761,080,000.00	$ 1,179,858,656.37
LEASE-REVENUE BONDS			
General Fund Lease-Revenue [d]	$ 3,540,408,897.14	$ 8,413,800,000.00	$ 11,954,208,897.14
GENERAL OBLIGATION AND LEASE-REVENUE BONDS TOTAL [e]	**$ 41,663,258,811.03**	**$ 80,088,275,000.00**	**$ 121,751,533,811.03**

(a) Includes scheduled mandatory sinking fund payments.
(b) Does not include outstanding commercial paper.
(c) The estimate of future interest payments is based on rates in effect as of January 1, 2025. The interest rates for the daily and weekly rate bonds range from 1.35 - 3.60%.
(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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TABLES

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 2025-26 Governor's Budget does not specifically allocate any of UC's appropriation to fund its employer retirement costs; UC manages its retirement contributions within its overall budget.

General Fund retirement costs are expected to continue to increase in the foreseeable future. The amount of such increases will depend on a variety of factors, including but not limited to actual investment returns, actuarial assumptions, actual experience, benefit adjustments, and, in the case of CalSTRS, statutory changes to contribution levels.

The information in this Exhibit 1 relating to CalPERS and CalSTRS is primarily derived from information produced by CalPERS and CalSTRS, their independent accountants, and their actuaries. The state has not independently verified the information produced by CalPERS and CalSTRS and 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, 2023, and June 30, 2024.

TABLE 28
CalPERS State Employee Membership as of June 30

Category	2023	2024
Retirees	237,415	241,880
Survivors and Beneficiaries	40,752	41,315
Active Members	278,717	285,074
Inactive Members	118,503	123,075
Total	675,387	691,344

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2023, and June 30, 2024.

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 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 at age 55 for each year of service credit (applicable to Miscellaneous and State Industrial category members) to 3 percent of final compensation for each year of service for retirement at age 50 (for State Peace Officer/Firefighter category members). Pension benefits are subject to annual cost of living adjustments. The annual adjustment is determined by the Consumer Price Index for all Urban Consumers and 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"). State Miscellaneous and State Industrial PEPRA members who retire at age 62 are eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increased to 2.5 percent of final compensation for members retiring after age 67). State Safety PEPRA members who retire at age 57 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 numbers of years of credited service. According to CalPERS, approximately 53 percent of the member population consists of PEPRA members as of June 30, 2023.

The following table shows the amount of pension benefits paid from CalPERS for fiscal years 2018-19 through 2022-23.

TABLE 29
CalPERS (State Only)
Schedule of Pension Benefits Paid
(Dollars in Millions)

Fiscal Year	Benefits Paid
2018-19	$9,779
2019-20	10,347
2020-21	11,011
2021-22	11,607
2022-23	12,350

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2019, through June 30, 2023.

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 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 2025-26 Governor's Budget includes the following employer contribution rates for fiscal year 2025-26:

	Employer Contribution Rates[(a)(b)]
State Miscellaneous Tier 1	31.99%
California State University, Miscellaneous Tier 1	31.99
State Miscellaneous Tier 2	31.99
State Industrial	21.43
State Safety	23.59
State Peace Officers & Firefighters	50.38
California State University, Peace Officers and Firefighters	50.38
California Highway Patrol	72.17

(a) Includes additional contributions pursuant to Government Code Section 20683.2 (d).

(b) Includes the impact of the $1.881 billion and the $2.925 billion, Proposition 2 supplemental pension payments authorized in the 2021 Budget Act and the 2022 Budget Act, respectively.

The table below shows the state's actual and estimated contributions to PERF for fiscal years 2021-22 through 2025-26.

TABLE 30
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
2021-22[a]	$5,363	$2,556	$677	$677	$6,040	$3,233
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]	6,251	2,868	609	609	6,860	3,476
2025-26[c]	8,370	4,200	744	744	9,114	4,944

(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 $15.6 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 31 summarizes these payments.

Based on current revenue projections, an additional $5.9 billion in Proposition 2 debt repayment funding will be paid to CalPERS over the remaining forecast period (fiscal years 2025-26 to 2028-29), subject to the availability of Proposition 2 debt repayment funding. This amount includes the $1.5 billion payment in 2025-26 proposed by the 2025-26 Governor's Budget.

TABLE 31
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 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 2024-25[(g)]
Proposition 2	2024-25	$337 million[(f)]	To be determined

(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 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) These payments were 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.

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 2025-26 through 2029-30 as included in CalPERS' Circular Letter 200-043-24 are displayed in the table below. This Circular Letter was published in September 2024 and updated the information shown in the actuarial valuation for the fiscal year ended June 30, 2023 by integrating investment returns not available when preparing the actuarial valuation.

The projected rates in the table below reflected the preliminary investment return for fiscal year 2023-24 and the CalPERS Board-adopted discount rate. 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 2023 and 2024 Budget Acts using Proposition 2 funding. See "Member and State Contributions" for more information.

Projected Contribution Rates

	Fiscal Year				
Plan:	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
State Miscellaneous	31.9%	32.1%	33.6%	33.2%	32.7%
State Industrial	20.6	20.7	22.0	21.6	21.1
State Safety	22.4	22.5	23.9	23.4	22.9
State Peace Officers & Firefighters	48.7	48.9	51.3	50.4	49.3
Californian Highway Patrol	70.9	68.7	71.2	69.9	71.0

Source: CalPERS Circular Letter 200-043-24.

Sensitivity Analyses: Projecting Differing Investment Returns, Volatility, and Discount Rate

The Circular Letter 200-043-24 includes a projection of two different investment return scenarios. Tables below show projected state contribution rates for fiscal years 2025-26 through 2029-30 for the employee categories in those investment return scenarios, based on the preliminary 9.3 percent investment return for fiscal year 2023-24. 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. The two different investment return scenarios capturing 90 percent of likely outcomes over a 20-year period ending June 30, 2044, 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

	Projected Contribution Rates Fiscal Year				
Assumed annual return from fiscal years 2024-25 to 2043-44	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)	31.9%	32.6%	35.2%	36.3%	37.8%
10.8% (95th percentile)	31.9	31.5	31.9	29.7	26.9

State Industrial

	Projected Contribution Rates Fiscal Year				
Assumed annual return from fiscal years 2024-25 to 2043-44	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)	20.6%	21.2%	23.5%	24.5%	25.8%
10.8% (95th percentile)	20.6	20.2	20.4	18.4	9.4

State Safety

Assumed annual return from fiscal years 2024-25 to 2043-44	Projected Contribution Rates Fiscal Year 2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)	22.4%	23.0%	25.4%	26.4%	27.8%
10.8% (95th percentile)	22.4	22.0	22.2	20.1	11.3

State Peace Officers & Firefighters

Assumed annual return from fiscal years 2024-25 to 2043-44	Projected Contribution Rates Fiscal Year 2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)	48.7%	49.9%	54.1%	55.9%	58.3%
10.8% (95th percentile)	48.7	47.9	48.3	44.3	39.1

California Highway Patrol

Assumed annual return from fiscal years 2024-25 to 2043-44	Projected Contribution Rates Fiscal Year 2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)	70.9%	69.7%	74.4%	76.1%	81.1%
10.8% (95th percentile)	70.9	67.5	67.8	63.1	59.5

Source: CalPERS Circular Letter 200-043-24.

In addition, the Circular Letter 200-043-24 includes projections based on volatility scenarios of the portfolio. The tables below demonstrate the fiscal years 2025-26 and 2026-27 rate impacts of realizing losses of 5.2 percent and 17.2 percent in fiscal year 2024-25. 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 future contribution rates would be impacted by the loss for an additional four years while also being impacted by future returns. If future returns do not exceed the 6.8 percent discount rate, rates will continue to trend upward.

State Miscellaneous

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year 2024-25	2024-25	2025-26	2026-27
-17.2%	31.39%	31.9%	35.5%
-5.2%	31.39	31.9	33.8

State Industrial

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year 2024-25	2024-25	2025-26	2026-27
-17.2%	20.18%	20.6%	23.8%
-5.2%	20.18	20.6	22.3

State Safety

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year 2024-25	2024-25	2025-26	2026-27
-17.2%	22.03%	22.4%	25.8%
-5.2%	22.03	22.4	24.2

State Peace Officers & Firefighters

Assumed annual return for fiscal year 2024-25	Current Rate Fiscal Year 2024-25	Projected Contribution Rates Fiscal Year 2025-26	2026-27
-17.2%	48.09%	48.7%	54.9%
-5.2%	48.09	48.7	51.9

California Highway Patrol

Assumed annual return for fiscal year 2024-25	Current Rate Fiscal Year 2024-25	Projected Contribution Rates Fiscal Year 2025-26	2026-27
-17.2%	69.89%	70.9%	75.4%
-5.2%	69.89	70.9	72.1

Source: CalPERS Circular Letter 200-043-24.

Additionally, the latest actuarial valuation for the fiscal year ended June 30, 2023, 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, 2023.

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 2014-15 through 2023-24, as well as time-weighted average returns. These returns are net of investment expenses but are not reduced for administrative expenses.

TABLE 32
PERF Time-Weighted Investment Results Based On Market Value

Fiscal Year	Annualized Rate of Return
2014-15	2.4%
2015-16	0.6
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

Source: CalPERS Annual Comprehensive Financial Reports for Fiscal Year ended June 30, 2015, through June 30, 2024.

TABLE 33
PERF Time-Weighted Average Returns as of June 30, 2024

Period	Time Weighted Average Rate of Return
3 years	2.8%
5 years	6.6
10 years	6.2
20 years	6.7

Source: CalPERS Annual Comprehensive Financial Report for fiscal year ended June 30, 2024; July 15, 2024, CalPERS Newsletter for the 20-year period.

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.

7. Actuarial Methods and Assumptions

The total cost CalPERS incurs to provide benefits includes administrative expenses. All of these costs are funded through contributions to the PERF and investment earnings on PERF's assets. CalPERS Chief Actuary estimates the total cost of the benefits to be paid and, using the actuarial funding method determined by CalPERS (as described below), the actuary allocates these costs to the fiscal years. CalPERS' financial objective is to fund in such a manner as to keep contribution rates approximately level as a percentage of payroll from generation to generation, while accumulating sufficient assets over each member's working career to cover the total cost of providing benefits.

The primary funding method used to accomplish this objective is the "Entry Age Normal Cost Method." Under this method, projected benefits are determined for all members, and the associated liabilities are spread in a manner that produces level annual costs as a level percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the "normal cost." The Actuarial Accrued Liability ("AAL") for active members is then calculated as the portion of the total cost of the plan allocated to prior years.

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2021 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

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The following table sets forth certain economic actuarial assumptions for fiscal years 2020-21 through 2022-23.

TABLE 34
Actuarial Assumptions—State Plans

	Fiscal Year				
Assumption	**2020-21**	**2021-22***	**2022-23**	**2023-24**	**2024-25**
Investment Returns	7.00%	6.80%	6.80%	6.80%	6.80%
Inflation	2.50	2.30	2.30	2.30	2.30
Salary Increase (Total Payroll)	2.75	2.80	2.80	2.80	2.80

* Actuarial assumptions updated as of November 2021 CalPERS Board Meeting.

Source: State Actuarial Valuations as of June 30, 2019, June 30, 2021, June 30, 2022, and June 30, 2023 for 2020-21, 2022-23, 2023-24, and 2024-25 respectively. CalPERS Finance and Administration Committee November 16, 2021 Agenda Item 7c Review of PERF Actuarial Assumptions for 2021-22.

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.) The changes will govern the PERF Policy portfolio until the next full cycle review in fiscal year 2025-26.

On July 15, 2024, CalPERS reported a preliminary 9.3 percent net return on investment for the fiscal year ended June 30, 2024. The return outperformed the system's actuarially assumed 6.8 percent rate of return for the fiscal year. Using a 6.8 percent discount rate and these preliminary fiscal year returns, the funded status of the overall PERF is estimated at 75 percent on a preliminary basis.

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 three 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 estimated to be $69.5 billion in the state actuarial valuation as of June 30, 2023, which is a decrease of $1.3 billion from the June 30, 2022 valuation. Based on CalPERS' July 15, 2024 announcement on its preliminary returns for fiscal year 2023-24, the funded ratio for the overall PERF increased to 75 percent as of June 30, 2024, from 72 percent as of June 30, 2023.

TABLE 35
PERF Schedule of Funding Status
State Employees Only
(Dollars in Millions)

	Fiscal Year (June 30)				
	2019	**2020**	**2021**	**2022**	**2023**
Market Value of Assets (MVA)	$143,466	$151,209	$182,354	$167,420	$178,647
Actuarial Accrued Liabilities	204,836	214,161	225,974	238,203	248,129
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis	(61,370)	(62,952)	(43,621)	(70,783)	(69,483)
Covered Payroll	20,581	21,527	21,485	22,624	23,694
Funded Ratio (MVA)	70.0%	70.6%	80.7%	70.3%	72.0%

Sources: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2019 through June 30, 2023.

In the state's 2023 Annual Comprehensive Financial Report, the state's proportionate share of the Net Pension Liability for PERF as of the June 30, 2022 measurement date (as calculated in accordance with GASB Statement 68) was approximately $64.0 billion. See Note 10 in the 2023 Annual Comprehensive Financial Report. Based on information provided by CalPERS, the State Controller's Office has prepared unaudited estimates of the state's proportionate share of the Net Pension Liability for PERF (as calculated in accordance with GASB Statement 68), consisting of approximately $65.1 billion for the June 30, 2023 measurement date.

10. Other Retirement Plans

In addition to PERF, CalPERS also administers the JRF, the JRF II, the LRF, and the 1959 Survivor Benefit program.

In the JRF actuarial reports for the year ended June 30, 2024, CalPERS reported that the JRF had an unfunded actuarial liability of approximately $2.5 billion. For the same year, the JRF II reported an actuarial surplus of $85.2 million, and the LRF reported an unfunded actuarial liability of $3.9 million. The 1959 Survivor Benefit Program reported an unfunded actuarial liability of $32.4 million for the state as of June 30,2023.

Further information concerning JRF, JRF II, and LRF can be found in CalPERS' financial reports and actuarial reports and is set forth in Note 10 (and the "Net Pension Liability and Related Rates" included in the Required Supplementary Information) to the Annual Comprehensive Financial Report of the State of California for the Year Ended June 30, 2023, attached as an appendix to this Official Statement.

CalSTRS

1. General

CalSTRS was established under the California Education Code in 1913 to provide benefits to California public school and community college teachers and to certain other employees of the state's public school system (pre-kindergarten through community college). CalSTRS is the administrator of a multiple-employer, cost-sharing defined benefit plan, tax-deferred defined contribution plans, a Medicare Premium Payment Program, and a Teachers' Deferred Compensation Fund.

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, 2024, 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, 2023, and 2024.

TABLE 36
DB Program Membership

Membership	June 30, 2023	June 30, 2024
Active Members	458,645	467,449
Inactive Members	234,479	239,442
Retirees and Beneficiaries	328,932	333,410
Total	1,022,056	1,040,301

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2023, and June 30, 2024.

Based on information CalSTRS reported in its Annual Comprehensive Financial Report for fiscal year ended June 30, 2024, over the past six years, the number of active members grew by 4.0 percent, while the number of retirees and beneficiaries had grown by 10.5 percent. Over the past year, the number of active members has increased by about 1.9 percent, while the number of retirees and beneficiaries has grown by about 1.4 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, 2023, there were about 180,000 active PEPRA members. According to CalSTRS, there were about 200,000 active PEPRA members as of June 30, 2024, representing roughly 43 percent of the total active population.

Benefits are increased by 2 percent (a simple, not a compounded, cost-of-living increase) of the initial allowance, on each September 1 following the first anniversary of the effective date of the benefit.

The following table shows the dollar amount of benefits and administrative expenses paid under the DB Program for fiscal years 2018-19 through 2022-23:

TABLE 37
DB Program
Schedule of Benefits Paid and Administrative Expenses
(Dollars in Millions)

Fiscal Year	Amount of Benefits Paid	Administrative Expenses Paid
2018-19	$14,528	$244
2019-20	15,199	213
2020-21	15,868	238
2021-22	16,583	185
2022-23	17,141	217

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2019 through June 30, 2023.

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 1994 through 2024, 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 are determined by statute in the Education Code instead of actuarially determined amounts as is done for the CalPERS system. Over time, this has contributed to an underfunding of the DB Program.

On June 24, 2014, Governor Brown signed AB 1469, a comprehensive long-term funding solution intended to eliminate 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 in fiscal year 2013-14 to 10.25 percent in fiscal year 2016-17 for members not subject to PEPRA, and to 9.205 percent in fiscal year 2016-17 for members subject to PEPRA. In addition, PEPRA members are required to pay at least one-half the normal cost of their DB Program benefits, and under PEPRA, the contribution rate for PEPRA members will be adjusted if the normal cost changes by more than 1 percent since the last time the member contribution rate was set. 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 2024, the CalSTRS Board elected not to adjust the employer contribution rate for fiscal year 2024-25, 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, 2024 (the "CalSTRS 2024 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, 2024, 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 2024 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, 2024 (which is available on the CalSTRS website at www.calstrs.com, however, such information is not incorporated by reference herein), 31.451 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 33.37 percent or $23.2 billion as of the June 30, 2022 measurement date pursuant to the state's financial statements for the fiscal year ended June 30, 2023. See Note 10 in the 2023 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.

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 2021-22 through 2025-26.

TABLE 38
Schedule of General Fund Contributions from the State
(Dollars in Millions)

Fiscal Year	DB Program	SBMA	Pre-1990 DB	Total
2021-22[a]	$701	$796	$2,366[b]	$3,863
2022-23[a]	705	802	2,205	3,712
2023-24[a]	747	854	2,338	3,939
2024-25[a]	806	928	2,523	4,257
2025-26[a]	875	1,012	2,737	4,624

(a) Education Code section 22955.2, which was adopted as part of the 2019-20 Budget, authorizes the state to make multiple discretionary pension payments to CalSTRS using available Proposition 2 debt repayment funding that are not reflected in this table.
(b) Amount includes $174 million one-time General Fund discretionary contribution from the state, which equals 0.5 percent of creditable compensation, to offset the rate suspension in fiscal year 2020-21.

Source: State of California, Department of Finance.

7. Actuarial Methods and Assumptions

CalSTRS retains an independent actuary (the "CalSTRS Consulting Actuary") that prepares annual actuarial valuation reports of the DB Program. The CalSTRS Consulting Actuary also prepares reports reviewing the DB Program's actual experience generally every four years. The CalSTRS Board uses experience reports to evaluate how realistic the long-term assumptions have been and may be in the future. In January 2024, the CalSTRS Consulting Actuary prepared the most recent experience report and recommended changes to the actuarial assumptions. The CalSTRS Board adopted these recommended changes at its January 2024 meeting and they are reflected in the most recent valuation report for the DB Program (the "2023 CalSTRS Valuation") that was adopted on May 2, 2024. The 2023 CalSTRS Valuation provides an annual update of the fund's assets and liabilities for the Defined Benefit Program as of June 30, 2023.

In preparing the 2023 CalSTRS Valuation, the CalSTRS Consulting Actuary used the Entry Age Actuarial Cost Method to measure the accruing costs of benefits under the DB Program. GASB Statements 67 and 68 require all state and local governments with pension liabilities to use the Entry Age Actuarial Cost Method beginning in fiscal year 2014-15 if they are not already doing so. Under the Entry Age Actuarial Cost Method, the actuarial present value of projected benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of the actuarial present value allocated to the valuation year is called the normal cost and represents the cost assigned to a member for a given year, such that it would meet the continuing costs of a particular benefit if contributed each year starting with the date of membership. The CalSTRS Consulting Actuary notes that the Entry Age Actuarial Cost Method is designed to produce a normal cost rate that remains a level percentage of earned salaries and that the normal cost rate is expected to remain 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.

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TABLE 39
Actuarial Methods and Assumptions—DB Program

	Fiscal Year			
Methods	**2020-21**	**2021-22**	**2022-23**	**2023-24**
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	3.50	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, 2021 through June 30, 2024.

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 the 2023 CalSTRS Valuation that was approved on May 2, 2024.

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 2023 CalSTRS Valuation, due to the asset smoothing method, investment gains of $1.0 billion have not been recognized.

GASB Statements 67 and 68, beginning in fiscal year 2013-14 for pension plans and fiscal year 2014-15 for employers, required state and local governments with pension liabilities to recognize the differences between expected and actual investment returns over a closed 5-year period instead of the 3-year period currently used by CalSTRS. CalSTRS continues to use the 3-year period for valuation purposes and the 5-year period for financial reporting purposes.

9. Funding Status

The following table sets forth the schedule of funding status as of the five most recent actuarial valuation dates based on information provided by CalSTRS from the actuarial valuation reports for such years. Funding status is measured by a comparison of DB Program assets with DB Program liabilities.

TABLE 40
DB Program Schedule of Funding Status
(Dollars in Millions)

	2018-19[(a)]	**2019-20[(a)]**	**2020-21[(a)]**	**2021-22[(a)]**	**2022-23[(a)]**
Market Value of Assets (MVA)	$208,083	$214,128	$271,946	$260,286	$274,170
Actuarial Value of Assets (AVA)	205,016	216,252	242,363	257,537	273,155
Actuarial Accrued Liabilities	310,719	322,127	332,082	346,089	359,741
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis(a)	(102,636)	(107,999)	(60,136)	(85,803)	(85,571)
Excess of Actuarial Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) AVA Basis	(105,703)	(105,875)	(89,719)	(88,552)	(86,586)
Covered Payroll	32,897	33,811	33,914	36,017	38,916
Funded Ratio (MVA)	67.0%	66.5%	81.9%	75.2%	76.2%
Funded Ratio (AVA)	66.0%	67.1%	73.0%	74.4%	75.9%

(a) The AAL is referred to as the Actuarial Obligation and the UAAL is referred to as the Unfunded Actuarial Obligation (UAO) in the 2019, 2020, 2021, 2022, and 2023 CalSTRS Valuation.

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2019, through June 30, 2023.

The market value of the entire DB Program investment assets was $274.2 billion as of June 30, 2023, a 5.3 percent increase from $260.3 billion as of June 30, 2022.

10. Prospective Funding Status; Future Contributions

The 2025-26 Governor's Budget includes $4.6 billion from the General Fund for fiscal year 2025-26 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 2027-28, and, beginning in fiscal year 2028-29, 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.

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The following tables set forth the total return on all CalSTRS' assets (including the DB Program assets) for the fiscal years ended June 30, 2015, through June 30, 2024, as well as time-weighted average returns.

TABLE 41
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2014-15	4.5%
2015-16	1.4
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	6.3
2023-24	8.4

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2024.

TABLE 42
CalSTRS Time-Weighted Net Returns as of June 30, 2024

Period	Time-Weighted Rate of Return
3 years	4.3%
5 years	8.5
10 years	7.7
20 years	7.6

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2024.

June 2024

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

MALIA M. COHEN
California State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 10, 2024

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, 2023, through June 30, 2024. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2023-24 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 $14 billion General Fund cash balance and ended June without an outstanding loan balance. As of June 30, California had $103.3 billion in unused borrowable resources, and fiscal year-to-date receipts exceeded estimates contained in the 2024-25 May Revision by approximately $3.1 billion, or 1.5 percent. Disbursements for the fiscal year through June were nearly $3.0 billion, or 1.4 percent, lower than anticipated in the 2024-25 May Revision.

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 2023-24 fiscal year to cash flow estimates published in the 2024-25 May Revision. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2024-25 May Revision. Attachment B compares actual receipts and disbursements for the 2023-24 fiscal year to cash flow estimates prepared by the DOF based upon the 2023-24 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to 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 2024-25 May Revision Estimates

(Amounts in thousands)

	July 1 through June 30					
	2024					**2023**
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 14,010,841**	**$ 14,010,841**	**$ -**		**-**	**$ 84,577,276**
Or Beginning Outstanding Loan Balance	-	-	-		-	**-**
Add Receipts:						
Revenues	207,248,033	204,245,535	3,002,498	(g)	1.5	166,697,494
Nonrevenues	7,799,983	7,673,039	126,944		1.7	7,499,171
Total Receipts	215,048,016	211,918,574	3,129,442		1.5	174,196,665
Less Disbursements (c):						
State Operations	46,987,689	51,855,545	(4,867,856)		(9.4)	64,519,698
Local Assistance	158,847,838	158,669,273	178,565		0.1	167,940,875
Capital Outlay	392,223	726,369	(334,146)		(46.0)	1,732,138
Nongovernmental	8,132,675	6,084,807	2,047,868		33.7	10,570,389
Total Disbursements	214,360,425	217,335,994	(2,975,569)		(1.4)	244,763,100
Receipts Over / (Under) Disbursements	687,591	(5,417,420)	6,105,011		112.7	(70,566,435)
Net Increase / (Decrease) in Temporary Loans	-	-	-		-	-
GENERAL FUND ENDING CASH BALANCE	14,698,432	8,593,421	6,105,011		71.0	14,010,841
Special Fund for Economic Uncertainties	3,828,766	3,830,034	(1,268)		(0.0)	3,318,616
TOTAL CASH	**$ 18,527,198**	**$ 12,423,455**	**$ 6,103,743**		**49.1**	**$ 17,329,457**
BORROWABLE RESOURCES						
Special Fund for Economic Uncertainties	$ 3,828,766	$ 3,830,034	$ (1,268)		(0.0)	$ 3,318,616
Budget Stabilization Account	22,252,422	22,252,422	-		-	23,288,422
Other Internal Sources (f)	79,885,281	72,891,000	6,994,281		9.6	74,055,664
Cash Balance from Borrowable Resources	105,966,469	98,973,456	6,993,013		7.1	100,662,702
Less:						
PMIA Loans (AB 55, GC 16312 and 16313)	362,908	350,000	12,908		3.7	358,954
SMIF Loans (SB 84, GC 20825)	2,263,202	2,857,000	(593,798)		(20.8)	2,730,869
SMIF Loans (AB 1054, PUC 3285)	-	-	-		-	-
Total Available Borrowable Resources (e)	103,340,359	95,766,456	7,573,903		7.9	97,572,879
Outstanding Loans to General Fund (b)	-	-	-		-	-
Outstanding Loans to the SFEU Fund	-	-	-		-	-
UNUSED BORROWABLE RESOURCES	$ 103,340,359	$ 95,766,456	$ 7,573,903		7.9	$ 97,572,879

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 2023-24 fiscal year was prepared by the Department of Finance for the 2024-25 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, 2023, 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				
			2024				2023
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Taxes	$ 33,094	$ 32,608	$ 418,105	$ 417,024	$ 1,081	0.3	$ 421,647
Corporation Tax	11,216,315	6,489,917	41,408,314	40,410,761	997,553 (g)	2.5	29,936,654
Cigarette Tax	(5,711)	4,536	38,592	43,284	(4,692)	(10.8)	48,542
Estate, Inheritance, and Gift Tax	-	-	891	891	-	-	348
Insurance Companies Tax	393,290	255,879	4,013,132	3,905,356	107,776	2.8	3,666,334
Personal Income Tax	13,660,910	9,645,857	120,932,155	119,775,866	1,156,289 (g)	1.0	94,678,329
Retail Sales and Use Taxes	3,123,713	3,052,162	33,260,963	33,256,807	4,156	0.0	33,234,802
Vehicle License Fees	1	-	4	-	4	-	2
Pooled Money Investment Interest	237,495	252,860	2,768,061	2,770,285	(2,224)	(0.1)	1,929,132
Not Otherwise Classified	1,482,323	1,148,575	4,407,816	3,665,261	742,555	20.3	2,781,704
Total Revenues	**30,141,430**	**20,882,394**	**207,248,033**	**204,245,535**	**3,002,498**	**1.5**	**166,697,494**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	1,269	24,405	46,440	45,171	1,269	2.8	563,395
Transfers from Other Funds	699,620	110,248	6,971,670	6,876,444	95,226	1.4	6,233,917
Miscellaneous	54,889	42,605	781,873	751,424	30,449	4.1	701,859
Total Nonrevenues	**755,778**	**177,258**	**7,799,983**	**7,673,039**	**126,944**	**1.7**	**7,499,171**
Total Receipts	**$ 30,897,208**	**$ 21,059,652**	**$ 215,048,016**	**$ 211,918,574**	**$ 3,129,442**	**1.5**	**$ 174,196,665**

(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)

(g) Personal Income Tax and Corporation Tax revenues are higher than projected for the 2024-25 May Revision. (Footnote ties to page A1; Revenues and A2; Corporation Tax and Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2024				2023
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 232,028	$ 293,687	$ 2,840,708	$ 3,088,222	$ (247,514)	(8.0)	$ 10,654,802
Business, Consumer Services and Housing	12,745	12,050	190,776	277,928	(87,152)	(31.4)	146,567
Transportation	18,413	9,580	287,881	315,556	(27,675)	(8.8)	461,801
Resources	(28,609)	467,750	3,574,735	3,893,152	(318,417)	(8.2)	3,828,398
Environmental Protection Agency	10,389	23,539	230,626	347,916	(117,290)	(33.7)	367,224
Health and Human Services:							
Health Care Services and Public Health	82,855	27,217	949,559	1,329,382	(379,823)	(28.6)	1,018,832
Department of State Hospitals	180,589	232,143	2,503,674	2,680,340	(176,666)	(6.6)	2,273,192
Other Health and Human Services	97,382	80,477	1,000,679	1,121,109	(120,430)	(10.7)	816,348
Education:							
University of California	323,808	11,009	4,981,989	4,988,470	(6,481)	(0.1)	4,647,872
State Universities and Colleges	29	68,734	3,995,008	5,024,278	(1,029,270)	(20.5)	5,765,446
Other Education	30,506	29,204	416,482	487,283	(70,801)	(14.5)	458,706
Dept. of Corrections and Rehabilitation	1,116,746	1,043,748	14,087,659	14,081,415	6,244	0.0	13,490,242
Governmental Operations	(914,031)	140,458	2,635,147	3,716,563	(1,081,416)	(29.1)	12,695,525
General Government	300,982	250,693	4,091,302	4,432,238	(340,936)	(7.7)	3,533,529
Public Employees' Retirement System	(369,604)	(348,537)	(68,399)	1,031,449	(1,099,848)	(106.6)	(258,430)
Debt Service (d)	(54,237)	(346,211)	5,207,161	4,977,542	229,619	4.6	4,605,588
Interest on Loans	-	26	62,702	62,702	-	-	14,056
Total State Operations	**1,039,991**	**1,995,567**	**46,987,689**	**51,855,545**	**(4,867,856)**	**(9.4)**	**64,519,698**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	10,041,880	13,354,282	70,253,411	69,168,090	1,085,321	1.6	79,941,358
Community Colleges	784,225	727,534	7,701,343	7,915,387	(214,044)	(2.7)	9,847,255
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,938,928	3,938,928	-	-	3,712,257
Other Education	181,524	296,999	5,453,338	5,609,624	(156,286)	(2.8)	7,317,978
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	23,926	35,753	695,042	709,012	(13,970)	(2.0)	789,060
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,766,262	2,377,966	35,393,525	34,380,791	1,012,734	2.9	30,614,624
Other Health Care Services/Public Health	352,363	18,396	986,910	809,611	177,299	21.9	568,911
Developmental Services - Regional Centers	(1,267,660)	337,163	6,307,323	7,621,369	(1,314,046)	(17.2)	5,948,781
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	(473,636)	1,170,978	10,789,785	10,902,583	(112,798)	(1.0)	9,030,766
CalWORKs	387,749	17,507	4,322,914	4,129,349	193,565	4.7	2,505,653
Other Social Services	111,141	151,320	2,481,249	2,432,969	48,280	2.0	2,299,127
Tax Relief	-	-	382,351	415,001	(32,650)	(7.9)	387,750
Other Local Assistance	306,805	770,929	10,141,719	10,636,559	(494,840)	(4.7)	14,977,355
Total Local Assistance	**13,214,579**	**19,258,827**	**158,847,838**	**158,669,273**	**178,565**	**0.1**	**167,940,875**

See notes on page A1 and A2.

(Continued)

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

	Month of June		July 1 through June 30				
			2024				2023
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**21,349**	**33,697**	**392,223**	**726,369**	**(334,146)**	**(46.0)**	**1,732,138**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	559,992	559,992	-	-	-
Transfer to Budget Stabilization Account	-	-	1,388,000	1,388,000	-	-	7,507,000
Transfer to Other Funds	290,000	305,073	4,455,815	4,137,541	318,274	7.7	3,014,137
Transfer to Revolving Fund	(25)	(1,730)	13,311	17,823	(4,512)	(25.3)	84,211
Advance:							
MediCal Provider Interim Payment	-	-	1,747,696	-	1,747,696	-	-
State-County Property Tax Administration Program	22,000	8,803	(7,395)	(12,722)	5,327	(41.9)	(22,462)
Social Welfare Federal Fund	54,200	65,827	932	24,532	(23,600)	(96.2)	(45,598)
Local Governmental Entities	-	-	(1,379)	(1,379)	-	-	(1,348)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	308,936	333,233	(24,297)	(28,980)	4,683	(16.2)	34,449
Total Nongovernmental	**675,111**	**711,206**	**8,132,675**	**6,084,807**	**2,047,868**	33.7	**10,570,389**
Total Disbursements	**$ 14,951,030**	**$ 21,999,297**	**$ 214,360,425**	**$ 217,335,994**	**$ (2,975,569)**	**(1.4)**	**$ 244,763,100**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ (1,247,746)	$ -	$ -	$ -	$ -	-	$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ (1,247,746)**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ -**

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	
	2024	2023	2024	2023
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 418,105	$ 421,647	$ -	$ -
Corporation Tax	41,408,314	29,936,654	-	-
Cigarette Tax	38,592	48,542	1,386,942	1,585,419
Cannabis Excise Taxes	-	-	640,194	528,238
Estate, Inheritance, and Gift Tax	891	348	-	-
Insurance Companies Tax	4,013,132	3,666,334	442	443
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	7,762,585	7,299,063
Diesel & Liquid Petroleum Gas	-	-	1,471,284	1,356,898
Jet Fuel Tax	-	-	4,480	4,099
Vehicle License Fees	4	2	3,558,037	3,475,649
Personal Income Tax	120,932,155	94,678,329	2,169,496	1,700,965
Retail Sales and Use Taxes	33,260,963	33,234,802	20,072,454	20,411,635
Pooled Money Investment Interest	2,768,061	1,929,132	4,451	2,280
Total Major Taxes, Licenses, and Investment Income	**202,840,217**	**163,915,790**	**37,070,365**	**36,364,689**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	2,890	2,133	95,719	79,081
Motor Vehicle Registration and Other Fees	(10)	10	8,510,961	8,122,530
Cannabis Licensing Fees	-	-	49,419	76,730
Electrical Energy Tax	-	-	967,091	877,428
Private Rail Car Tax	10,233	9,866	-	-
Penalties on Traffic Violations	-	-	2	3
Health Care Receipts	2,358	1,928	-	-
Revenues from State Lands	84,282	151,350	-	-
Abandoned Property	907,960	1,086,742	-	-
Trial Court Revenues	26,223	25,748	1,470,827	1,422,209
Horse Racing Fees	-	-	21,385	19,419
Cap and Trade	-	-	5,132,709	4,013,036
Individual Shared Responsibility Penalty Assessments	18,962	303,750	283,276	-
Miscellaneous Tax Revenue	-	-	8,269,383	2,074,055
Miscellaneous	3,354,918	1,200,177	18,964,511	14,824,065
Not Otherwise Classified	**4,407,816**	**2,781,704**	**43,765,283**	**31,508,556**
Total Revenues, All Governmental Cost Funds	**$ 207,248,033**	**$ 166,697,494**	**$ 80,835,648**	**$ 67,873,245**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2023-24 Budget Act
(Amounts in thousands)

	July 1 through June 30					
	2024					2023
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 14,010,841**	**$ 14,010,841**	**$ -**		**-**	**$ 84,577,276**
Or Beginning Outstanding Loan Balance	-	-	-		-	**-**
Add Receipts:						
Revenues	207,248,033	246,047,952	(38,799,919)	(j)	(15.8)	166,697,494
Nonrevenues	7,799,983	4,339,455	3,460,528	(h)	79.7	7,499,171
Total Receipts	215,048,016	250,387,407	(35,339,391)		(14.1)	174,196,665
Less Disbursements (c):						
State Operations	46,987,689	57,496,185	(10,508,496)		(18.3)	64,519,698
Local Assistance	158,847,838	173,170,793	(14,322,955)	(i)	(8.3)	167,940,875
Capital Outlay	392,223	501,876	(109,653)		(21.8)	1,732,138
Nongovernmental	8,132,675	3,807,559	4,325,116	(g)	113.6	10,570,389
Total Disbursements	214,360,425	234,976,413	(20,615,988)		(8.8)	244,763,100
Receipts Over / (Under) Disbursements	687,591	15,410,994	(14,723,403)		(95.5)	(70,566,435)
Net Increase / (Decrease) in Temporary Loans	-	-	-		-	-
GENERAL FUND ENDING CASH BALANCE	14,698,432	29,421,835	(14,723,403)		(50.0)	14,010,841
Special Fund for Economic Uncertainties	3,828,766	3,839,876	(11,110)		(0.3)	3,318,616
TOTAL CASH	**$ 18,527,198**	**$ 33,261,711**	**$ (14,734,513)**		**(44.3)**	**$ 17,329,457**
BORROWABLE RESOURCES						
Special Fund for Economic Uncertainties	$ 3,828,766	$ 3,839,876	$ (11,110)		(0.3)	$ 3,318,616
Budget Stabilization Account	22,252,422	22,252,422	-	(g)(h)	-	23,288,422
Other Internal Sources (f)	79,885,281	68,874,350	11,010,931	(h)	16.0	74,055,664
Cash Balance from Borrowable Resources	105,966,469	94,966,648	10,999,821		11.6	100,662,702
Less:						
PMIA Loans (AB 55, GC 16312 and 16313)	362,908	360,000	2,908		0.8	358,954
SMIF Loans (SB 84, GC 20825)	2,263,202	2,730,000	(466,798)		(17.1)	2,730,869
SMIF Loans (AB 1054, PUC 3285)	-	-	-		-	-
Total Available Borrowable Resources (e)	103,340,359	91,876,648	11,463,711		12.5	97,572,879
Outstanding Loans to General Fund (b)	-	-	-		-	-
Outstanding Loans to the SFEU Fund	-	-	-		-	-
UNUSED BORROWABLE RESOURCES	$ 103,340,359	$ 91,876,648	$ 11,463,711		12.5	$ 97,572,879

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 2023-24 fiscal year was prepared by the Department of Finance for the 2023-24 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, 2023, plus current year Net Increase/(Decrease) in Temporary Loans of $0.0 billion. (Footnote ties to page B1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1, B3 and B4; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of June		July 1 through June 30					
			2024					2023
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
REVENUES								
Alcoholic Beverage Excise Taxes	$ 33,094	$ 32,608	$ 418,105	$ 438,283	$ (20,178)		(4.6)	$ 421,647
Corporation Tax	11,216,315	6,489,917	41,408,314	54,955,203	(13,546,889)	(j)	(24.7)	29,936,654
Cigarette Tax	(5,711)	4,536	38,592	43,137	(4,545)		(10.5)	48,542
Estate, Inheritance, and Gift Tax	-	-	891	-	891		-	348
Insurance Companies Tax	393,290	255,879	4,013,132	3,881,070	132,062		3.4	3,666,334
Personal Income Tax	13,660,910	9,645,857	120,932,155	147,318,083	(26,385,928)	(j)	(17.9)	94,678,329
Retail Sales and Use Taxes	3,123,713	3,052,162	33,260,963	33,285,060	(24,097)		(0.1)	33,234,802
Vehicle License Fees	1	-	4	-	4		-	2
Pooled Money Investment Interest	237,495	252,860	2,768,061	2,658,696	109,365		4.1	1,929,132
Not Otherwise Classified	1,482,323	1,148,575	4,407,816	3,468,420	939,396		27.1	2,781,704
Total Revenues	**30,141,430**	**20,882,394**	**207,248,033**	**246,047,952**	**(38,799,919)**		**(15.8)**	**166,697,494**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	1,269	24,405	46,440	-	46,440		-	563,395
Transfers from Other Funds	699,620	110,248	6,971,670	4,133,600	2,838,070	(h)	68.7	6,233,917
Miscellaneous	54,889	42,605	781,873	205,855	576,018		279.8	701,859
Total Nonrevenues	**755,778**	**177,258**	**7,799,983**	**4,339,455**	**3,460,528**		**79.7**	**7,499,171**
Total Receipts	**$ 30,897,208**	**$ 21,059,652**	**$ 215,048,016**	**$ 250,387,407**	**$ (35,339,391)**		**(14.1)**	**$ 174,196,665**

(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 B1; 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 B1; Other Internal Sources)

(g) Pursuant to subdivisions (c) and (d) of Section 20 of Article XVI of the California Constitution, a transfer of $1.4 billion from the General Fund to the Budget Stabilization Account for the FY 2021-22 true-up was made in September 2023. (Footnote ties to page B1; Borrowable Resources - Budget Stabilization Account and page B4; Nongovernmental - Transfer to Budget Stabilization Account)

(h) Pursuant to subdivisions (c) and (d) of Section 20 of Article XVI of the California Constitution, a transfer of $2.4 billion from the Budget Stabilization Account to the General Fund for the FY 2022-23 true-up was expected; however, only $720 million occurred in September 2023. The remaining $1.7 billion transfer occurred in October 2023. Also, approximately $1.9 billion in transfers from the Special Funds to the General Fund were anticipated in August 2023; however, only $1.5 billion occurred in October 2023. (Footnote ties to page B1; Nonrevenues and Borrowable Resources - Budget Stabilization Account and Other Internal Sources and page B2; Transfers from Other Funds)

(i) Pursuant to subdivision (b) of Section 21 of Article XVI of California Constitution, approximately $1.3 billion expenditure transfer was anticipated from General Fund to the Public School System Stabilization Account in September 2023, which occurred in October 2023. (Footnote ties to page B1; Local Assistance and page B3; Other Local Assistance)

(j) Personal Income Tax and Corporation Tax revenues are lower than projected. On March 2, 2023 the Franchise Tax Board extended the Personal Income Tax and Corporation Tax filing and payment due date to October 16, 2023. However, on October 16, 2023 the tax deadline was extended to November 16, 2023. (Footnote ties to page B1; Revenues and page B2; Corporation Tax and Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30				2023
			2024				
					Actual Over or (Under) Estimate		
	2024	2023	Actual	Estimate (a)	Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 232,028	$ 293,687	$ 2,840,708	$ 3,083,631	$ (242,923)	(7.9)	$ 10,654,802
Business, Consumer Services and Housing	12,745	12,050	190,776	168,177	22,599	13.4	146,567
Transportation	18,413	9,580	287,881	217,906	69,975	32.1	461,801
Resources	(28,609)	467,750	3,574,735	4,927,594	(1,352,859)	(27.5)	3,828,398
Environmental Protection Agency	10,389	23,539	230,626	178,592	52,034	29.1	367,224
Health and Human Services:							
Health Care Services and Public Health	82,855	27,217	949,559	972,274	(22,715)	(2.3)	1,018,832
Department of State Hospitals	180,589	232,143	2,503,674	2,456,134	47,540	1.9	2,273,192
Other Health and Human Services	97,382	80,477	1,000,679	1,004,375	(3,696)	(0.4)	816,348
Education:							
University of California	323,808	11,009	4,981,989	5,037,088	(55,099)	(1.1)	4,647,872
State Universities and Colleges	29	68,734	3,995,008	5,017,674	(1,022,666)	(20.4)	5,765,446
Other Education	30,506	29,204	416,482	1,004,913	(588,431)	(58.6)	458,706
Dept. of Corrections and Rehabilitation	1,116,746	1,043,748	14,087,659	13,786,747	300,912	2.2	13,490,242
Governmental Operations	(914,031)	140,458	2,635,147	3,963,778	(1,328,631)	(33.5)	12,695,525
General Government	300,982	250,693	4,091,302	9,471,510	(5,380,208)	(56.8)	3,533,529
Public Employees' Retirement System	(369,604)	(348,537)	(68,399)	1,031,450	(1,099,849)	(106.6)	(258,430)
Debt Service (d)	(54,237)	(346,211)	5,207,161	5,127,969	79,192	1.5	4,605,588
Interest on Loans	-	26	62,702	46,373	16,329	35.2	14,056
Total State Operations	**1,039,991**	**1,995,567**	**46,987,689**	**57,496,185**	**(10,508,496)**	**(18.3)**	**64,519,698**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	10,041,880	13,354,282	70,253,411	71,666,880	(1,413,469)	(2.0)	79,941,358
Community Colleges	784,225	727,534	7,701,343	7,095,647	605,696	8.5	9,847,255
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,938,928	3,938,928	-	-	3,712,257
Other Education	181,524	296,999	5,453,338	5,799,897	(346,559)	(6.0)	7,317,978
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	23,926	35,753	695,042	742,590	(47,548)	(6.4)	789,060
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							-
Medical Assistance Program	2,766,262	2,377,966	35,393,525	37,016,680	(1,623,155)	(4.4)	30,614,624
Other Health Care Services/Public Health	352,363	18,396	986,910	1,254,875	(267,965)	(21.4)	568,911
Developmental Services - Regional Centers	(1,267,660)	337,163	6,307,323	7,839,654	(1,532,331)	(19.5)	5,948,781
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	(473,636)	1,170,978	10,789,785	10,878,071	(88,286)	(0.8)	9,030,766
CalWORKs	387,749	17,507	4,322,914	4,265,490	57,424	1.3	2,505,653
Other Social Services	111,141	151,320	2,481,249	2,272,951	208,298	9.2	2,299,127
Tax Relief	-	-	382,351	415,000	(32,649)	(7.9)	387,750
Other Local Assistance	306,805	770,929	10,141,719	19,984,130	(9,842,411) (i)	(49.3)	14,977,355
Total Local Assistance	**13,214,579**	**19,258,827**	**158,847,838**	**173,170,793**	**(14,322,955)**	**(8.3)**	**167,940,875**

See notes on page B1 and B2.

(Continued)

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

	Month of June		July 1 through June 30				
			2024				2023
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**21,349**	**33,697**	**392,223**	**501,876**	**(109,653)**	**(21.8)**	**1,732,138**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	559,992	521,260	38,732	7.4	-
Transfer to Budget Stabilization Account	-	-	1,388,000	-	1,388,000 (g)	-	7,507,000
Transfers to Other Funds	290,000	305,073	4,455,815	3,168,500	1,287,315	40.6	3,014,137
Transfer to Revolving Fund	(25)	(1,730)	13,311	-	13,311	-	84,211
Advance:							
MediCal Provider Interim Payment	-	-	1,747,696	-	1,747,696	-	-
State-County Property Tax Administration Program	22,000	8,803	(7,395)	-	(7,395)	-	(22,462)
Social Welfare Federal Fund	54,200	65,827	932	-	932	-	(45,598)
Local Governmental Entities	-	-	(1,379)	-	(1,379)	-	(1,348)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	308,936	333,233	(24,297)	117,799	(142,096)	(120.6)	34,449
Total Nongovernmental	**675,111**	**711,206**	**8,132,675**	**3,807,559**	**4,325,116**	113.6	**10,570,389**
Total Disbursements	**$ 14,951,030**	**$ 21,999,297**	**$ 214,360,425**	**$ 234,976,413**	**$ (20,615,988)**	**(8.8)**	**$ 244,763,100**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ (1,247,746)	$ -	$ -	$ -	$ -	-	$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ (1,247,746)**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ -**

See notes on page B1 and B2.

February 2025

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

MALIA M. COHEN
California State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 10, 2025

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, 2024, through February 28, 2025. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2024-25 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 $14.7 billion General Fund cash balance and ended February with a balance of $13.6 billion. As of February 28, California had $92.7 billion in unused borrowable resources and fiscal year-to-date receipts exceeded estimates contained in the 2025-26 Governor's Budget by approximately $4.2 billion, or 3.0 percent. Disbursements for the fiscal year through February are $3.5 billion, or 2.3 percent, lower than anticipated in the Governor's Budget.

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 2024-25 fiscal year to cash flow estimates prepared by the DOF based upon the 2025-26 Governor's Budget. Attachment B compares actual receipts and disbursements for the 2024-25 fiscal year to cash flow estimates prepared by the DOF based upon the 2024-25 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to 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 2025-26 Governor's Budget Estimates

(Amounts in thousands)

	July 1 through February 28				
	2025				2024
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 14,698,432**	**$ 14,698,432**	**$ -**	**-**	**$ 14,010,841**
Or Beginning Outstanding Loan Balance	-	-	-	-	**-**
Add Receipts:					
Revenues	125,750,326	121,464,776	4,285,550	3.5	125,621,935
Nonrevenues	18,701,959	18,739,087	(37,128)	(0.2)	5,153,854
Total Receipts	144,452,285	140,203,863	4,248,422	3.0	130,775,789
Less Disbursements (c):					
State Operations	34,761,864	34,530,557	231,307	0.7	34,440,427
Local Assistance	108,402,154	112,075,042	(3,672,888)	(3.3)	108,876,257
Capital Outlay	544,036	616,094	(72,058)	(11.7)	241,702
Nongovernmental	1,859,034	1,810,416	48,618	2.7	4,911,613
Total Disbursements	145,567,088	149,032,109	(3,465,021)	(2.3)	148,469,999
Receipts Over / (Under) Disbursements	(1,114,803)	(8,828,246)	7,713,443	87.4	(17,694,210)
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	3,683,369
GENERAL FUND ENDING CASH BALANCE	13,583,629	5,870,186	7,713,443	**131.4**	-
Special Fund for Economic Uncertainties	3,508,843	3,508,843	-	-	156,507
TOTAL CASH	**$ 17,092,472**	**$ 9,379,029**	**$ 7,713,443**	**82.2**	**$ 156,507**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 3,508,843	$ 3,508,843	$ -	-	$ 3,839,876
Budget Stabilization Account	17,633,422	17,633,422	-	-	22,252,422
Other Internal Sources (f)	74,143,475	79,936,741	(5,793,266)	(7.2)	75,432,659
Cash Balance from Borrowable Resources	95,285,740	101,079,006	(5,793,266)	(5.7)	101,524,957
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	225,114	365,000	(139,886)	(38.3)	325,717
SMIF Loans (SB 84, GC 20825)	2,345,617	2,300,000	45,617	2.0	2,856,818
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	-
Total Available Borrowable Resources (e)	92,715,009	98,414,006	(5,698,997)	(5.8)	98,342,422
Outstanding Loans to General Fund (b)	-	-	-	-	3,683,369
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 92,715,009	$ 98,414,006	$ (5,698,997)	(5.8)	$ 94,659,053

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 2024-25 fiscal year was prepared by the Department of Finance for the 2025-26 Governor's Budget. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.0 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 February		July 1 through February 28				
			2025				2024
	2025	2024	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Taxes	$ 26,811	$ 26,842	$ 285,898	$ 290,881	$ (4,983)	(1.7)	$ 286,847
Corporation Tax	356,235	124,099	17,932,375	17,916,638	15,737	0.1	20,738,168
Cigarette Tax	3,064	2,458	25,366	25,438	(72)	(0.3)	34,592
Estate, Inheritance, and Gift Tax	-	-	6	5	1	20.0	890
Insurance Companies Tax	44,830	61,597	2,084,783	2,113,697	(28,914)	(1.4)	2,040,527
Personal Income Tax	5,723,308	5,578,431	78,796,339	75,732,105	3,064,234	4.0	77,203,974
Retail Sales and Use Taxes	4,175,781	4,270,447	22,217,655	22,579,853	(362,198)	(1.6)	22,220,930
Vehicle License Fees	-	1	5	-	5	-	3
Pooled Money Investment Interest	322,742	182,114	2,214,099	2,117,494	96,605	4.6	1,722,992
Not Otherwise Classified	1,069,702	126,757	2,193,800	688,665	1,505,135	218.6	1,373,012
Total Revenues	**11,722,473**	**10,372,746**	**125,750,326**	**121,464,776**	**4,285,550**	**3.5**	**125,621,935**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	-	-	316,794	316,794	-	-	35,459
Transfers from Other Funds	219,168	29,487	17,888,265	17,964,671	(76,406)	(0.4)	4,701,700
Miscellaneous	33,557	61,673	496,900	457,622	39,278	8.6	416,695
Total Nonrevenues	**252,725**	**91,160**	**18,701,959**	**18,739,087**	**(37,128)**	**(0.2)**	**5,153,854**
Total Receipts	**$ 11,975,198**	**$ 10,463,906**	**$ 144,452,285**	**$ 140,203,863**	**$ 4,248,422**	**3.0**	**$ 130,775,789**

(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 $2.2 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 February		July 1 through February 28				
			2025				2024
	2025	2024	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 213,592	$ 187,436	$ 1,846,174	$ 1,989,810	$ (143,636)	(7.2)	$ 2,004,600
Business, Consumer Services and Housing	20,897	9,860	146,364	124,860	21,504	17.2	106,903
Transportation	6,544	42,311	75,111	67,975	7,136	10.5	201,990
Resources	500,924	408,813	3,702,128	3,750,872	(48,744)	(1.3)	2,790,206
Environmental Protection Agency	18,874	28,322	123,168	196,538	(73,370)	(37.3)	141,716
Health and Human Services:							
Health Care Services and Public Health	60,811	79,986	702,192	710,436	(8,244)	(1.2)	628,715
Department of State Hospitals	203,461	205,768	1,775,007	1,771,880	3,127	0.2	1,670,572
Other Health and Human Services	76,723	73,015	679,545	745,015	(65,470)	(8.8)	642,790
Education:							
University of California	371,762	555,122	3,013,830	2,962,213	51,617	1.7	3,431,634
State Universities and Colleges	577,565	554,967	3,547,438	3,509,872	37,566	1.1	3,403,713
Other Education	33,025	43,421	261,943	274,644	(12,701)	(4.6)	276,193
Dept. of Corrections and Rehabilitation	1,116,037	1,247,049	9,268,970	9,464,556	(195,586)	(2.1)	9,367,598
Governmental Operations	198,087	164,311	3,044,110	2,165,269	878,841	40.6	3,024,927
General Government	426,041	332,730	2,880,975	3,087,333	(206,358)	(6.7)	3,047,974
Public Employees' Retirement System	(282,775)	(362,005)	535,743	662,627	(126,884)	(19.1)	307,470
Debt Service (d)	102,340	(53,360)	3,132,262	3,019,753	112,509	3.7	3,391,397
Interest on Loans	-	-	26,904	26,904	-	-	2,029
Total State Operations	**3,643,908**	**3,517,746**	**34,761,864**	**34,530,557**	**231,307**	**0.7**	**34,440,427**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	(999,494)	4,965,371	35,888,362	43,360,365	(7,472,003)	(17.2)	41,597,223
Community Colleges	193,337	685,853	4,590,126	5,110,353	(520,227)	(10.2)	4,926,452
State Teachers' Retirement System	-	-	2,961,493	2,961,494	(1)	(0.0)	2,740,682
Other Education	495,016	365,601	4,203,094	3,953,021	250,073	6.3	4,037,480
Dept. of Corrections and Rehabilitation	18,668	9,912	377,819	438,254	(60,435)	(13.8)	615,336
Health Care Services and Public Health:							
Medical Assistance Program	4,280,911	2,500,918	31,480,234	27,699,870	3,780,364	13.6	29,411,430
Other Health Care Services/Public Health	33,011	22,487	514,728	591,034	(76,306)	(12.9)	423,189
Developmental Services - Regional Centers	640,426	1,382,268	6,402,044	6,176,596	225,448	3.7	5,682,236
Dept. of Social Services:							
SSI/SSP/IHSS	518,865	(329,577)	10,479,833	9,148,918	1,330,915	14.5	7,269,957
CalWORKs	433,460	225,492	2,574,653	2,425,259	149,394	6.2	2,329,049
Other Social Services	12,953	209,884	1,454,087	1,536,765	(82,678)	(5.4)	1,645,279
Tax Relief	-	-	196,322	212,036	(15,714)	(7.4)	191,176
Other Local Assistance	724,436	336,195	7,279,359	8,461,077	(1,181,718)	(14.0)	8,006,768
Total Local Assistance	**6,351,589**	**10,374,404**	**108,402,154**	**112,075,042**	**(3,672,888)**	**(3.3)**	**108,876,257**

See notes on page A1 and A2.

(Continued)

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

	Month of February		July 1 through February 28				
			2025				2024
	2025	2024	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**60,512**	**16,466**	**544,036**	**616,094**	**(72,058)**	**(11.7)**	**241,702**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	-	-	-	-	559,992
Transfer to Budget Stabilization Account	-	-	884,000	851,000	33,000	3.9	1,388,000
Transfer to Other Funds	-	145,597	3,021,165	3,018,076	3,089	0.1	3,311,715
Transfer to Revolving Fund	-	203	43,502	32,632	10,870	33.3	19,202
Advance:							
MediCal Provider Interim Payment	-	-	(1,747,696)	(1,747,696)	-	-	-
State-County Property Tax						-	
Administration Program	(6,611)	-	(1,390)	4,951	(6,341)	(128.1)	(3,416)
Social Welfare Federal Fund	-	-	(30,200)	(38,200)	8,000	20.9	(29,268)
Local Governmental Entities	-	-	(1,411)	(1,411)	-	-	(1,379)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(308,936)	(308,936)	-	-	(333,233)
Total Nongovernmental	**(6,611)**	**145,800**	**1,859,034**	**1,810,416**	**48,618**	**2.7**	**4,911,613**
Total Disbursements	**$ 10,049,398**	**$ 14,054,416**	**$ 145,567,088**	**$ 149,032,109**	**$ (3,465,021)**	**(2.3)**	**$ 148,469,999**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ 3,590,510	$ -	$ -	$ -	-	$ 3,683,369
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 3,590,510**	**$ -**	**$ -**	**$ -**	**-**	**$ 3,683,369**

See notes on page A1 and A2.

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

	July 1 through February 28			
	General Fund		Special Funds	
	2025	2024	2025	2024
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 285,898	$ 286,847	$ -	$ -
Corporation Tax	17,932,375	20,738,168	-	-
Cigarette Tax	25,366	34,592	833,708	960,828
Cannabis Excise Taxes	-	-	437,691	469,718
Estate, Inheritance, and Gift Tax	6	890	-	-
Insurance Companies Tax	2,084,783	2,040,527	-	2,602
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	5,350,814	5,222,776
Diesel & Liquid Petroleum Gas	-	-	1,001,937	983,289
Jet Fuel Tax	-	-	2,857	3,172
Vehicle License Fees	5	3	2,431,076	2,356,159
Personal Income Tax	78,796,339	77,203,974	1,401,643	1,386,529
Retail Sales and Use Taxes	22,217,655	22,220,930	12,922,766	13,056,151
Pooled Money Investment Interest	2,214,099	1,722,992	5,383	2,762
Total Major Taxes, Licenses, and Investment Income	**123,556,526**	**124,248,923**	**24,387,875**	**24,443,986**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,661	1,950	61,547	58,327
Motor Vehicle Registration and Other Fees	-	(10)	5,890,201	5,528,051
Cannabis Licensing Fees	-	-	18,056	33,960
Electrical Energy Tax	-	-	708,598	627,184
Private Rail Car Tax	13,170	10,105	-	-
Penalties on Traffic Violations	-	-	-	1
Health Care Receipts	1,301	1,312	-	-
Revenues from State Lands	66,693	56,975	-	-
Abandoned Property	12,277	(87,118)	-	-
Trial Court Revenues	17,327	17,569	893,190	877,560
Horse Racing Fees	-	-	14,612	12,669
Cap and Trade	-	-	1,932,636	2,664,633
Individual Shared Responsibility Penalty Assessments	-	18,962	109,162	107,487
Miscellaneous Tax Revenue	-	-	6,350,916	1,925,338
Miscellaneous	2,081,371	1,353,267	13,653,404	11,956,532
Not Otherwise Classified	**2,193,800**	**1,373,012**	**29,632,322**	**23,791,742**
Total Revenues, All Governmental Cost Funds	**$ 125,750,326**	**$ 125,621,935**	**$ 54,020,197**	**$ 48,235,728**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2024-25 Budget Act
(Amounts in thousands)

	July 1 through February 28				
	2025				2024
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 14,698,432**	**$ 14,698,432**	**$ -**	**-**	**$ 14,010,841**
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	125,750,326	115,186,348	10,563,978	9.2	125,621,935
Nonrevenues	18,701,959	9,356,578	9,345,381	99.9	5,153,854
Total Receipts	144,452,285	124,542,926	19,909,359	16.0	130,775,789
Less Disbursements (c):					
State Operations	34,761,864	33,118,377	1,643,487	5.0	34,440,427
Local Assistance	108,402,154	103,679,941	4,722,213	4.6	108,876,257
Capital Outlay	544,036	378,056	165,980	43.9	241,702
Nongovernmental	1,859,034	1,529,668	329,366	21.5	4,911,613
Total Disbursements	145,567,088	138,706,042	6,861,046	4.9	148,469,999
Receipts Over / (Under) Disbursements	(1,114,803)	(14,163,116)	13,048,313	92.1	(17,694,210)
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	3,683,369
GENERAL FUND ENDING CASH BALANCE	13,583,629	535,316	13,048,313	2,437.5	-
Special Fund for Economic Uncertainties	3,508,843	3,508,844	(1)	(0.0)	156,507
TOTAL CASH	**$ 17,092,472**	**$ 4,044,160**	**$ 13,048,312**	**322.6**	**$ 156,507**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 3,508,843	$ 3,508,844	$ (1)	(0.0)	$ 3,839,876
Budget Stabilization Account	17,633,422	17,633,422	-	-	22,252,422
Other Internal Sources (f)	74,143,475	70,148,728	3,994,748	5.7	75,432,659
Cash Balance from Borrowable Resources	95,285,740	91,290,993	3,994,747	4.4	101,524,957
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	225,114	365,000	(139,886)	(38.3)	325,717
SMIF Loans (SB 84, GC 20825)	2,345,617	2,300,000	45,617	2.0	2,856,818
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	-
Total Available Borrowable Resources (e)	92,715,009	88,625,993	4,089,016	4.6	98,342,422
Outstanding Loans to General Fund (b)	-	-	-	-	3,683,369
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 92,715,009	$ 88,625,993	$ 4,089,016	4.6	$ 94,659,053

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 2024-25 fiscal year was prepared by the Department of Finance for the 2024-25 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 B1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1, B3 and B4; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of February		July 1 through February 28				
			2025				2024
	2025	2024	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Taxes	$ 26,811	$ 26,842	$ 285,898	$ 288,726	$ (2,828)	(1.0)	$ 286,847
Corporation Tax	356,235	124,099	17,932,375	16,958,679	973,696	5.7	20,738,168
Cigarette Tax	3,064	2,458	25,366	27,443	(2,077)	(7.6)	34,592
Estate, Inheritance, and Gift Tax	-	-	6	-	6	-	890
Insurance Companies Tax	44,830	61,597	2,084,783	2,004,263	80,520	4.0	2,040,527
Personal Income Tax	5,723,308	5,578,431	78,796,339	71,030,259	7,766,080	10.9	77,203,974
Retail Sales and Use Taxes	4,175,781	4,270,447	22,217,655	22,543,242	(325,587)	(1.4)	22,220,930
Vehicle License Fees	-	1	5	-	5	-	3
Pooled Money Investment Interest	322,742	182,114	2,214,099	1,719,633	494,466	28.8	1,722,992
Not Otherwise Classified	1,069,702	126,757	2,193,800	614,103	1,579,697	257.2	1,373,012
Total Revenues	**11,722,473**	**10,372,746**	**125,750,326**	**115,186,348**	**10,563,978**	**9.2**	**125,621,935**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	-	-	316,794	319,922	(3,128)	(1.0)	35,459
Transfers from Other Funds	219,168	29,487	17,888,265	8,909,700	8,978,565	100.8	4,701,700
Miscellaneous	33,557	61,673	496,900	126,956	369,944	291.4	416,695
Total Nonrevenues	**252,725**	**91,160**	**18,701,959**	**9,356,578**	**9,345,381**	**99.9**	**5,153,854**
Total Receipts	**$ 11,975,198**	**$ 10,463,906**	**$ 144,452,285**	**$ 124,542,926**	**$ 19,909,359**	**16.0**	**$ 130,775,789**

(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 B1; 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 $2.2 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page B1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of February		July 1 through February 28				
			2025				2024
	2025	2024	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 213,592	$ 187,436	$ 1,846,174	$ 1,922,224	$ (76,050)	(4.0)	$ 2,004,600
Business, Consumer Services and Housing	20,897	9,860	146,364	72,248	74,116	102.6	106,903
Transportation	6,544	42,311	75,111	36,960	38,151	103.2	201,990
Resources	500,924	408,813	3,702,128	3,152,016	550,112	17.5	2,790,206
Environmental Protection Agency	18,874	28,322	123,168	95,560	27,608	28.9	141,716
Health and Human Services:							
Health Care Services and Public Health	60,811	79,986	702,192	549,440	152,752	27.8	628,715
Department of State Hospitals	203,461	205,768	1,775,007	1,653,593	121,414	7.3	1,670,572
Other Health and Human Services	76,723	73,015	679,545	673,584	5,961	0.9	642,790
Education:							
University of California	371,762	555,122	3,013,830	3,299,046	(285,216)	(8.6)	3,431,634
State Universities and Colleges	577,565	554,967	3,547,438	3,367,309	180,129	5.3	3,403,713
Other Education	33,025	43,421	261,943	278,040	(16,097)	(5.8)	276,193
Dept. of Corrections and Rehabilitation	1,116,037	1,247,049	9,268,970	9,358,636	(89,666)	(1.0)	9,367,598
Governmental Operations	198,087	164,311	3,044,110	2,075,208	968,902	46.7	3,024,927
General Government	426,041	332,730	2,880,975	1,898,571	982,404	51.7	3,047,974
Public Employees' Retirement System	(282,775)	(362,005)	535,743	621,923	(86,180)	(13.9)	307,470
Debt Service (d)	102,340	(53,360)	3,132,262	4,062,524	(930,262)	(22.9)	3,391,397
Interest on Loans	-	-	26,904	1,495	25,409	1,699.6	2,029
Total State Operations	**3,643,908**	**3,517,746**	**34,761,864**	**33,118,377**	**1,643,487**	**5.0**	**34,440,427**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	(999,494)	4,965,371	35,888,362	42,235,770	(6,347,408)	(15.0)	41,597,223
Community Colleges	193,337	685,853	4,590,126	5,259,089	(668,963)	(12.7)	4,926,452
State Teachers' Retirement System	-	-	2,961,493	2,961,151	342	0.0	2,740,682
Other Education	495,016	365,601	4,203,094	3,720,893	482,201	13.0	4,037,480
Dept. of Corrections and Rehabilitation	18,668	9,912	377,819	476,766	(98,947)	(20.8)	615,336
Health Care Services and Public Health:							
Medical Assistance Program	4,280,911	2,500,918	31,480,234	21,957,115	9,523,119	43.4	29,411,430
Other Health Care Services/Public Health	33,011	22,487	514,728	691,618	(176,890)	(25.6)	423,189
Developmental Services - Regional Centers	640,426	1,382,268	6,402,044	6,591,217	(189,173)	(2.9)	5,682,236
Dept. of Social Services:							
SSI/SSP/IHSS	518,865	(329,577)	10,479,833	8,897,247	1,582,586	17.8	7,269,957
CalWORKs	433,460	225,492	2,574,653	2,766,882	(192,229)	(6.9)	2,329,049
Other Social Services	12,953	209,884	1,454,087	1,570,623	(116,536)	(7.4)	1,645,279
Tax Relief	-	-	196,322	211,250	(14,928)	(7.1)	191,176
Other Local Assistance	724,436	336,195	7,279,359	6,340,320	939,039	14.8	8,006,768
Total Local Assistance	**6,351,589**	**10,374,404**	**108,402,154**	**103,679,941**	**4,722,213**	**4.6**	**108,876,257**

See notes on page B1 and B2.

(Continued)

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

	Month of February		July 1 through February 28				
			2025				2024
	2025	2024	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**60,512**	**16,466**	**544,036**	**378,056**	**165,980**	**43.9**	**241,702**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	-	-	-	-	559,992
Transfer to Budget Stabilization Account	-	-	884,000	851,000	33,000	3.9	1,388,000
Transfers to Other Funds	-	145,597	3,021,165	2,735,300	285,865	10.5	3,311,715
Transfer to Revolving Fund	-	203	43,502	-	43,502	-	19,202
Advance:							
MediCal Provider Interim Payment	-	-	(1,747,696)	(1,747,696)	-	-	-
State-County Property Tax Administration Program	(6,611)	-	(1,390)	-	(1,390)	-	(3,416)
Social Welfare Federal Fund	-	-	(30,200)	-	(30,200)	-	(29,268)
Local Governmental Entities	-	-	(1,411)	-	(1,411)	-	(1,379)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(308,936)	(308,936)	-	-	(333,233)
Total Nongovernmental	**(6,611)**	**145,800**	**1,859,034**	**1,529,668**	**329,366**	**21.5**	**4,911,613**
Total Disbursements	**$ 10,049,398**	**$ 14,054,416**	**$ 145,567,088**	**$ 138,706,042**	**$ 6,861,046**	**4.9**	**$ 148,469,999**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ 3,590,510	$ -	$ -	$ -	-	$ 3,683,369
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 3,590,510**	**$ -**	**$ -**	**$ -**	**-**	**$ 3,683,369**

See notes on page B1 and B2.

APPENDIX B

INFORMATION CONCERNING THE PARTICIPATING AGENCIES AND THEIR RESPECTIVE PROJECTS

THE DEPARTMENT OF GENERAL SERVICES AND THE DGS PROJECT

General

The Department of General Services of the State of California ("DGS") was created in 1965 to provide for operating efficiency and economy in state government by providing central administration of business management activities.

DGS consists of five divisions and several offices that report to its Director and employs nearly 4,500 persons as of the 2024-25 fiscal year. It manages and operates the central services and business activities of state government. DGS is a "fee for service" agency whereby customer state agencies pay for DGS-rendered services from their state operating budgets.

The Real Estate Services Division ("RESD") of DGS provides comprehensive real estate services to most state agencies. Among other activities, RESD oversees and manages all state-owned office space in addition to all state-leased space.

The DGS Project

The Sacramento Region: Gregory Bateson Building Renovation (the "DGS Project") is the renovation of the Gregory Bateson Building, a four-story, approximately 313,000 square foot building originally constructed in 1981 which occupies a full city block in downtown Sacramento at 1600 9th Street and was designated as a historically significant building in 2016 due to its innovative design elements, which at the time of the original construction were cutting edge for architectural design and energy efficiency.

The DGS Project will address building-wide mechanical, electrical, and plumbing infrastructure, fire-life safety, accessibility, exterior façade, water intrusion, and vertical transportation deficiencies; remove hazardous materials; repair water damaged building components; replace interior finishes that are at the end of their useful life; provide a modern working environment; and refresh the building exterior and landscaping. Building amenities will include lobbies, balconies, central atrium, training and conference rooms, break rooms, and bicycle storage.

The DGS Project integrates sustainable design and energy efficiency measures throughout the complex and is expected to achieve Leadership in Energy and Environmental Design (LEED) Platinum certification as administered by the United States Green Building Council. The DGS Project is expected to reduce indoor water use by 40 percent and connect to the city power grid. The DGS Project is also designed to achieve zero-net energy and zero-net carbon via green energy procured through the Sacramento Municipal Utility District's SolarShares Program.

The construction phase of the DGS Project began in August 2022, and the DGS Project was available for occupancy in March 2025. The total cost of the DGS Project is approximately $196.8 million, of which approximately $191.6 million will be financed with the proceeds of the 2025A Bonds, with the balance funded from other sources.

The issuance of the 2025A Bonds for the DGS Project has been authorized by Chapter 21, Statutes of 2021, Item 7760-301-0660 (1).

The DGS Budget

Under the state's budget process, rental payments for the DGS Project under the related Facility Lease will be included in appropriations made for DGS's annual operating budget. The type and amount of the various fund sources that comprise the annual operating budget of DGS may change over time. DGS's annual operating budget currently is derived from General Fund revenues and other sources. Total annual rental payments under all facility leases of DGS securing lease revenue bonds issued by the Board were estimated to be approximately $205.5 million in fiscal year 2024-25, or approximately 15.0% of its approximately $1.370 billion operating budget for fiscal year 2024-2025. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Rental Payments." DGS's operating budget is one of many line items in the state's annual budget. For more information regarding the state's budgetary process and finances, see APPENDIX A — "THE STATE OF CALIFORNIA—STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES."

Seismicity

Generally, within the state of California, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. Although there can be no assurance that the DGS Project will not suffer significant damage in an earthquake, potentially making the DGS Project partially or fully unusable, the state has adopted design standards that have resulted in buildings being designed to withstand earthquakes of a magnitude anticipated at the location of the DGS Project. Standards and procedures were used so that the DGS Project was designed and constructed to meet or exceed the seismic standards required by the state's building code.

There are no known active faults that cross through or near the Site upon which the DGS Project is located. The nearest known potentially active faults are the Dunnigan Hills thrust fault roughly 24 miles to the northwest of the site and the Great Valley 03 Mysterious Ridge fault located approximately 32 miles northwest of the site.

An earthquake may cause damage to the DGS Project that could result in abatement of Base Rental under the related Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental." Neither DGS nor the Board has purchased, or expects to purchase, earthquake insurance for the DGS Project.

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THE JUDICIAL COUNCIL AND THE COURTHOUSE

General

The Judicial Council of California (the "Judicial Council") was created by Article VI of the Constitution to administer the state's judicial system. With approximately 1,900 judicial officers and over 18,000 judicial branch employees, California's court system is the largest in the United States.

The California court system includes 58 superior or trial courts, which reside in each of the state's 58 counties. There are also six appellate districts including the First Appellate District in San Francisco, the Second Appellate District in Los Angeles, the Third Appellate District in Sacramento, the Fourth Appellate District in San Diego, the Fifth Appellate District in Fresno, and the Sixth Appellate District in San Jose. At the top of the California court system is the California Supreme Court situated in San Francisco, which also hears matters in other locations throughout the state.

The Courthouse

The Sacramento County Courthouse, to be known as the Tani Cantil-Sakauye Sacramento County Courthouse, (the "Courthouse") includes the construction of a new 18-story, 53-courtroom courthouse of approximately 540,000 square feet, situated on approximately 2.5 acres in downtown Sacramento, for the Superior Court of California, County of Sacramento (the "Court"). The Courthouse includes a basement garage with 72 parking spaces for judges and senior staff along with eight secure parking spaces for the sheriffs. The Courthouse is clad with precast concrete panels on the east and west walls, while curtain-wall glass will cover the north and south facades. The southern exposure is decorated with a randomized vertical-panel screen. For visitors and employees, the entryway will feature a colonnade-adorned arcade.

The Courthouse will improve operational efficiency, access to justice, and overall public service through the consolidation of court operations and calendars, the elimination of current space shortfalls, the increase of security, and the replacement of inadequate and obsolete facilities, including the existing Gordon D. Schaber Sacramento County Courthouse. The Courthouse will be the main facility for the Court. The Courthouse is designed for sustainability and is expected to achieve a Leadership in Energy and Environmental Design (LEED) Silver rating from the United States Green Building Council.

The construction phase of the Courthouse began in November 2020, and the Courthouse is expected to be available for use and occupancy in June 2025. The total cost of the Courthouse is approximately $570 million, of which approximately $528.8 million will be financed with the proceeds from the Bonds, with the balance funded from other sources.

The issuance of the Bonds for the Courthouse has been authorized by Chapter 29, Statutes of 2018, Item 0250-301-0660 (2.5), as reappropriated by Chapter 6, Statutes of 2020, as augmented.

Budget

Under the state's budget process, rental payments for the Courthouse under the 2025AB Facility Lease will be included in appropriations made for the Judicial Council's annual operating budget. The type and amount of the various fund sources that comprise the annual operating budget of the Judicial Council may change over time. The Judicial Council's annual operating budget currently is derived from General Fund revenues and other sources. Total annual rental payments under all facility leases of the Judicial Council securing lease revenue bonds issued by the Board were estimated to be approximately $231.6 million in fiscal year 2024-25, or 18.1% of its approximately $1.282 billion operating budget for fiscal year 2024-2025. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS —

Rental Payments." The Judicial Council's operating budget is one of many line items in the state's annual budget. For more information regarding the state's budgetary process and finances, see APPENDIX A — "THE STATE OF CALIFORNIA—PART II STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES."

Seismicity

Generally, within the state of California, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. Although there can be no assurance that the Courthouse will not suffer significant damage in an earthquake, potentially making the Courthouse partially or fully unusable, the state has adopted design standards that have resulted in buildings being designed to structurally withstand earthquakes of a magnitude anticipated at the location of the Courthouse. Standards and procedures were used so that the Courthouse was designed and constructed to meet or exceed the seismic standards required by the state's building code.

There are no known active faults that cross through or near the Site upon which the Courthouse is located. The nearest known potentially active faults are the Midland fault zone roughly 30.0 miles to the southwest of the Site and the Dunnigan Hills thrust fault roughly 19.0 miles to the west-northwest.

An earthquake may cause damage to the Courthouse that could result in abatement of Base Rental under the 2025AB Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR EACH SERIES OF BONDS — Abatement of Rental." Neither the Judicial Council nor the Board has purchased, or expects to purchase, earthquake insurance for the Courthouse.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

The following is a brief summary of the provisions of the primary legal documents pertaining to the Bonds. This summary is not intended to be definitive, and Bondholders should refer to the documents for the complete text thereof. Copies of the documents summarized herein are available from the State Treasurer.

The Bonds will be issued under an indenture between the Board and the State Treasurer dated as of April 1, 2025 (the "Indenture"), and will be secured by amounts payable by the Departments under the Facility Leases between the Departments and the Board, each dated as of April 1, 2025 as described below.

Unless otherwise defined in this Appendix C, the terms used in this Appendix C shall have the meanings set forth in the body of the Official Statement.

THE INDENTURE

Definitions

The following terms in the Indenture when used in this Appendix C have the meanings set forth below:

"Act" means the State Building Construction Act of 1955, commencing at Section 15800 of the California Government Code, and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means all lease revenue bonds of the Board authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Authorized Denominations" means $5,000 and any integral multiple thereof, or any other amount specified in a Supplemental Indenture for any Additional Bonds.

"Base Rental" means all amounts received by the Board from the Departments as base rental payments pursuant to the Facility Leases to be used to pay the interest on and principal of the Bonds.

"Board" means the State Public Works Board of the State of California, an entity of state government duly organized and validly existing under and pursuant to Chapter 2 of Part 10.5 of Division 3 of Title 2 of the California Government Code.

"Bond Year" means, with respect to each Series of Bonds, that 12-month period commencing on each principal payment date, or the anniversary of such date, for such Series of Bonds; provided, the first Bond Year for any Series of Bonds shall commence on the date of issuance of such Series and end on the day before the next principal payment date, or anniversary thereof.

"Bonds" means the 2025A Bonds, the 2025B Bonds and all Additional Bonds authorized by and at any time Outstanding pursuant to such Indenture.

"Business Day" means a day of the year other than a Saturday or Sunday or a day on which State of California offices or banking institutions located in the State are required or authorized to remain closed.

"Certificate of the Board" means an instrument in writing signed by the Chair or the Executive Director or Deputy Director of the Board, or by any other officer of the Board duly authorized by the Board for that purpose.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement among the Board, the Departments and the State Treasurer dated the date of issuance and delivery of the Bonds.

"Department" means any district, department, agency, board, commission or other entity of the State listed in the Indenture. "Departments" means all of the entities of the State listed in the Indenture, as amended from time to time. As of the date of delivery of the Bonds, the Departments consist of the Department of General Services of the State of California and the Judicial Council of California.

"Facility" means a Site and the Project located on that Site leased under a Facility Lease, and any Substituted Property leased under a Facility Lease, as applicable. "Facilities" means all such property leased under the Facility Leases.

"Facility Lease" means a lease related to a Facility, dated as of April 1, 2025, entered into between the Board, as lessor, and a Department, as lessee, and as it may from time to time be amended pursuant to the provisions thereof. The term "Facility Leases" means all such leases relating to the Facilities.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal publishing financial news and selected by the State Treasurer, whose decision shall be final and conclusive.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Board as its Fiscal Year in accordance with applicable law.

"Holder" or "Bondholder" means any person who shall be the registered owner of any Outstanding Bond.

"Incorporated Bonds" means any series of lease revenue bonds of the Board previously or hereafter issued other than pursuant to the Master Indenture, which the Board has elected to be secured by the Reserve Fund.

"Indenture" means the Indenture, dated as of April 1, 2025, between the Board and the State Treasurer, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions thereof.

"Independent Certified Public Accountant" means the Bureau of State Audits, or its successor, or any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the Board and satisfactory to and approved by the State Treasurer (who shall be under no liability by reason of such approval), and who, or each of whom --

(1) is in fact independent and not under the domination of the Board;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Board; and

(3) is not connected with the Board as a member, officer or employee of the Board, but who may be regularly retained to audit the accounting records of and make reports thereon to the Board.

"Information Services" means one or more services selected by the State Treasurer which provide information with respect to called bonds, or such services as the Board may designate in a Certificate of the Board delivered to the State Treasurer.

"Interest Account" means the account by that name established pursuant to the Indenture.

"Interest Payment Date" means, as long as any of the Bonds are Outstanding, April 1 and October 1 of each year, commencing October 1, 2025.

"Law" means the legislation authorizing the Projects referred to in the Indenture.

"Master Indenture" means the indenture, dated as of April 1, 1994, as amended by the Tenth Supplemental Indenture, dated as of September 1, 1996, the Forty-Second Supplemental Indenture, dated as of October 1, 2002, the Fifty-Second Supplemental Indenture, dated as of October 15, 2004, and the Ninety-Third Supplemental Indenture, dated as of October 12, 2009, each between the Board and the State Treasurer, as it may from time to time be amended or supplemented by all supplemental indentures executed pursuant to the provisions thereof.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds retained by the Board.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except --

(1) Bonds theretofore cancelled by the State Treasurer or surrendered to the State Treasurer for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been caused to be executed, issued and delivered by the Board pursuant to the Indenture.

"Permitted Investments" means any of the following which at the time are legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein:

(i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest;

(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) bonds of the State or bonds for which the faith and credit of the State are pledged for the payment of principal and interest;

(iv) bonds or warrants, including but not limited to revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the State, municipal utility district or school district of the State;

(v) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by general 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, stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation;

(vi) (1) commercial paper of "prime" quality as defined by a nationally recognized rating service. Eligible paper is further limited to issuing corporations or trusts approved by the Pooled Money Investment Board created by Section 16480.1 of the California Government Code that meet the conditions in either subparagraph (A) or subparagraph (B):

(A) both of the following:

(i) organized and operating within the United States.

(ii) having total assets in excess of five hundred million dollars ($500,000,000).

(B) both of the following:

(i) organized within the United States as a special purpose corporation or trust.

(ii) having program-wide credit enhancements, including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) purchases of eligible commercial paper may not exceed 180 days' maturity, represent more than 10% of the outstanding paper of an issuing corporation or trust, nor exceed 30% of the resources of an investment program;

(vii) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the top two rating categories by a nationally recognized rating service, otherwise known as banker's acceptances, which are eligible for purchase by the Federal Reserve System;

(viii) negotiable certificates of deposit issued by a federally or state-chartered bank or savings and loan association or by a state-licensed branch of a foreign bank, or a federally or state-chartered credit union, which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated in one of the top two rating categories by a nationally recognized rating service;

(ix) bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the top two rating categories by a nationally recognized rating service;

(x) interest-bearing accounts in state or national banks or in state or federal savings and loan associations having principal offices in the State, the deposits of which shall be secured at all times and in the same manner as state moneys are by law required to be secured;

(xi) deposits in the Surplus Money Investment Fund referred to in Section 15847 of the California Government Code;

(xii) repurchase agreements or reverse repurchase agreements, as such terms are defined in and pursuant to the terms of Section 16480.4 of the California Government Code;

(xiii) collateralized or uncollateralized investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated within the top two rating categories by a Rating Agency;

(xiv) money market funds that invest solely in obligations described in clause (i) of this definition; or

(xv) such other investments as may be authorized by a Supplemental Indenture, provided that prior written notice thereof has been provided to each Rating Agency.

"Principal Account" means any account by that name established pursuant to the Indenture.

"Projects" means the buildings, structures, fixtures and related improvements constructed or to be constructed with the proceeds of the 2025A Bonds and/or the 2025B Bonds as more particularly described in the Indenture, and all additions, betterments, extensions and improvements thereto. The term "Project" means each of such Projects, as more particularly described in the Indenture.

"Rating Agency" means each nationally recognized bond rating agency which is at any time providing a rating on any Series of Bonds.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Representation Letter" means any letter of representations relating to a particular Series of Bonds, by and between the State Treasurer and The Depository Trust Company or any other Securities Depository used by the Board for a Series of Bonds.

"Reserve Fund" means the fund by that name established pursuant to the Master Indenture.

"Revenue Fund" means any fund by that name established pursuant to the Indenture.

"Revenues" means with respect to each Series of Bonds (1) any proceeds of the Bonds of such Series deposited in a subaccount for such Series of the Interest Account, (2) all Base Rental payments received by the Board pursuant to the Facility Leases and all other benefits, charges, income, proceeds, profits, receipts, rents, proceeds of insurance and revenues derived by the Board from the ownership, operation or use of the Facilities, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture, and (3) any interest rate swap payments or other payments specified in the Supplemental Indenture for such Series of Bonds.

"Securities Depositories" means The Depository Trust Company and its successor or assigns, or such other securities depositories as the Board may designate from time to time.

"Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

"Series," whenever used in the Indenture in the context of a "Series of Bonds," means all of the 2025A Bonds, the 2025B Bonds or the Additional Bonds issued and designated under a Supplemental Indenture as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such bonds as provided in the Indenture.

"Site" means that certain land as more particularly described in an exhibit to a Site Lease, as such description may be amended from time to time. The term "Sites" means all of the land described in the Site Leases.

"Site Lease" means a Site Lease, dated as of April 1, 2025, by and between a Department, as lessor, and the Board, as lessee, as originally executed and as it may from time to time be amended pursuant to the provisions thereof. The term "Site Leases" means all of such agreements relating to all of the Sites.

"State" means the State of California.

"State Treasurer" means the Treasurer of the State of California at its office in Sacramento, California, appointed by the Board in the Indenture and acting as independent trustee and fiscal agent for the Bonds with the rights and obligations provided in the Indenture, and its successors and assigns, or any other association or corporation which may at any time be substituted in its place as provided in the Indenture.

"Substituted Property" means real property and improvements substituted in place of all or a portion of a Facility as and to the extent permitted by a Facility Lease.

"Supplemental Indenture" means any indenture then in full force and effect which has been duly executed and delivered by the Board and the State Treasurer amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Surplus Account" means the account by that name established pursuant to the Indenture.

"Tax Certificate" means the tax certificate delivered by the Board at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Tax-Exempt Obligations" means bonds the interest upon which is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"2025A Bonds" means the Board's Lease Revenue Bonds 2025 Series A (Various Capital Projects).

2025A Construction Fund" means the fund by that name established pursuant to the Indenture.

"2025B Bonds" means the Board's Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds).

2025B Construction Fund" means the fund by that name established pursuant to the Indenture.

"Written Request of the Board" means an instrument in writing signed by the Chair, the Executive Director or the Deputy Director of the Board, or by any other officer of the Board duly authorized by the Board for that purpose.

Conditions for the Issuance of Additional Bonds

The Indenture provides that the Board may at any time issue one or more Series of Additional Bonds payable from the Revenues and secured by a pledge of and charge and lien upon such Revenues as provided in the Indenture, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any Additional Bonds:

(a) The Board shall be in compliance with all agreements and covenants contained in the Indenture.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for the purpose of (i) financing or refinancing costs of the design and/or construction of all or a portion of the Projects, (ii) refunding all or a portion of any Series of Bonds then Outstanding, (iii) paying of all costs incidental to or connected with any Additional Bonds issued in accordance with (i) or (ii) above, (iv) paying interest on any Series of Bonds during and after the period of construction or acquisition as permitted by the Act, and/or (v) making deposits into the Reserve Fund if any Series of Bonds are to be designated as Incorporated Bonds or into any separate reserve account securing the Additional Bonds;

(2) The authorized principal amount and designation of such Additional Bonds;

(3) The date and the maturity dates of and the mandatory sinking account payment dates, if any, for such Additional Bonds; provided that (i) all such Additional Bonds of like maturity shall be identical in all respects, except as to interest rate, number and denomination, (ii) serial maturities for Serial Bonds or mandatory sinking account payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(4) The Interest Payment Dates for such Additional Bonds;

(5) The denomination or denominations of and method of numbering such Additional Bonds;

(6) The redemption premium, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account;

(8) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Fund if such Additional Bonds are to be designated as Incorporated Bonds or into a separate reserve account securing the Additional Bonds;

(9) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the funds and accounts established under the Indenture or the Supplemental Indenture for such Additional Bonds;

(10) The forms of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) One or more of the Facility Leases shall have been amended so as to modify the Base Rental payable by the Department thereunder such that the Base Rental due under all Facility Leases, together with any amounts deposited from the proceeds of the sale of such Additional Bonds in the Interest Account, is sufficient to pay the interest on and principal of all Bonds Outstanding as the same become due and accompanied by a certificate of the Department to the effect that the Base Rental under any Facility Lease so amended is consistent with the fair rental value for the Facility leased pursuant to such Facility Lease.

Nothing contained in the Indenture shall limit the issuance of any lease revenue bonds of the Board payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues if after the issuance and delivery of such lease revenue bonds none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds

At any time after the sale of any Additional Bonds in accordance with the Act, the Board shall cause such Additional Bonds to be executed for issuance under the Indenture and shall deliver them to the State Treasurer, and thereupon such Additional Bonds shall be authenticated and delivered by the State Treasurer to the purchaser thereof upon the Written Request of the Board, but only upon receipt by the State Treasurer of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the State Treasurer (unless the State Treasurer shall accept any of such documents bearing a prior date):

(a) An executed copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Board as to the delivery of such Additional Bonds;

(c) An Opinion of Counsel addressed to the Board and to the State Treasurer to the effect that (1) the Board has the right and power under the Act to execute and deliver the Supplemental Indenture and the Supplemental Indenture has been duly and lawfully executed and delivered by the Board, is in full force and effect and is valid and binding upon the Board (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles), (2) the Supplemental Indenture creates the valid pledge of and charge and lien upon the Revenues relating to such Additional Bonds which it purports to create as provided therein, subject to the application thereof to the purposes and on the conditions permitted by the Indenture, (3) such Additional Bonds are valid and binding special obligations of the Board (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and entitled to the benefits of the Act and the Indenture, and such Additional Bonds have been duly and validly authorized, executed, and delivered in accordance with the Act and with the Indenture, (4) any amendments to the Facility Leases required by the Indenture have been duly authorized, executed and delivered, and (5) the delivery of such Additional Bonds in and of itself will not have an adverse effect on the exclusion from gross income for federal income tax purposes of the interest on any of the Bonds previously issued as Tax-Exempt Obligations and Outstanding;

(d) A Certificate of the Board containing such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Indenture; and

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Additional Bonds.

Pledge of Revenues for Bonds and Reserve Fund for any Incorporated Bonds

All Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund), are irrevocably pledged by the Indenture to the payment of the principal of, redemption premium, if any, and interest on the Bonds, and such Revenues are not permitted to be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted in the Indenture. The pledge made in the Indenture constitutes a first pledge of and charge and lien upon those certain Revenues (other than Revenues on deposit in the Rebate Fund). The Revenues and the amounts in the foregoing funds and accounts are pledged by the Indenture for the payment of the principal of, redemption premium, if any, and interest on the Bonds in accordance with the terms of the Indenture. In the event that the Board elects to designate any Series of Bonds as Incorporated Bonds pursuant to the Master Indenture, such Series of Bonds shall be secured by the Reserve Fund, as and to the extent set forth in the Master Indenture.

Establishment of Funds and Accounts

The following funds and accounts are established pursuant to the Indenture: (1) the 2025A Construction Fund (in which there shall be established a 2025A Cost of Issuance Account and a 2025A Project Account); (2) the 2025B Construction Fund (in which there shall be established a 2025B Cost of Issuance Account and a 2025B Project Account); (3) the Revenue Fund, containing an Interest Account (and within the Interest Account, the 2025A Interest Subaccount, the 2025B Interest Subaccount, the 2025A Capitalized Interest Subaccount and the 2025B Capitalized Interest Subaccount), a Principal Account (and within the Principal Account, the 2025A Principal Subaccount and the 2025B Principal Subaccount), and a Surplus Account; and (4) the Rebate Fund. The 2025A Construction Fund, the 2025B Construction Fund and the Revenue Fund shall be subfunds in the Public Buildings Construction Fund created by the Act and shall be maintained with the State Treasurer so long as any Bonds are Outstanding.

Construction Fund. The Indenture provides that the State Treasurer shall apply the moneys in the 2025A Project Account and the 2025B Project Account from time to time to pay or reimburse the costs of the design and/or construction of the Projects, including payment of all costs incidental thereto or connected therewith, as permitted by the Act and the Law and shall apply the moneys in the 2025A Costs of Issuance Account to pay costs of issuance of the 2025A Bonds and the moneys in the 2025B Costs of Issuance Account to pay costs of issuance of the 2025B Bonds; such disbursements shall be made upon claims attested to, for, or on behalf of the Board and duly prepared in accordance with the procedures prescribed by the Controller of the State. Prior to the completion of construction of the Projects being financed by a Series of Bonds, the Board may direct the State Treasurer by Written Request of the Board to transfer monies from one account or subaccount to any other account or subaccount within the 2025A Construction Fund and the 2025B Construction Fund provided that such Written Request of the Board is accompanied by the Certificate of the Board stating that such transfer will not result in a reduction of Base Rental. Any moneys remaining in any account in the 2025A Construction Fund or the 2025B Construction Fund upon completion or installation of the Projects being financed by a Series of Bonds shall be applied by the State Treasurer to offset scheduled Base Rental or in such other manner as the Board may direct in a Written Request of the Board.

Revenue Fund. All Revenues when and as received shall be received by the Board in trust under the Indenture for the benefit of the Holders of the Bonds and shall be deposited when and as received by the Board in the Revenue Fund. All Revenues shall be accounted for through and held in trust in the Revenue Fund, and the Board shall have no beneficial right or interest in any of the Revenues except only as provided in the Indenture. All Revenues, whether received by the Board in trust or deposited with the State Treasurer as provided in the Indenture, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Indenture, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Board.

Moneys in the Revenue Fund shall be set aside by the State Treasurer in the following respective special accounts and subaccounts within the Revenue Fund:

(1) Interest Account and within the Interest Account, the 2025A Interest Subaccount, the 2025B Interest Subaccount, the 2025A Capitalized Interest Subaccount and the 2025B Capitalized Interest Subaccount,

(2) Principal Account and within the Principal Account, the 2025A Principal Subaccount and the 2025B Principal Subaccount, and

(3) Surplus Account.

Interest Account. On or before the fifteenth day of the month next preceding each Interest Payment Date, the State Treasurer shall cause to be set aside from the Revenue Fund and deposit in the 2025A Interest Subaccount, the 2025B Interest Subaccount, and any subaccount created with respect to Additional Bonds, of the Interest Account that amount of money which, together with any money contained therein, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date, with the amount deposited to each subaccount equal to the amount of interest becoming due and payable on the related Series of Bonds on such Interest Payment Date (taking into account any money contained therein).

On October 1, 2025, the State Treasurer shall transfer from the 2025A Capitalized Interest Subaccount and deposit in the 2025A Interest Subaccount of the Interest Account the amounts therein to be applied to pay interest on the 2025A Bonds in accordance with the Indenture.

Pursuant to a Written Request of the Board delivered to the State Treasurer, additional amounts may be transferred from the 2025A Project Account or other available funds of the Board to the 2025A Capitalized Interest Subaccount and the amounts to be disbursed from the 2025A Capitalized Interest Subaccount shall be modified in accordance with such Written Request of the Board.

On October 1, 2025, the State Treasurer shall transfer from the 2025B Capitalized Interest Subaccount and deposit in the 2025B Interest Subaccount of the Interest Account the amounts therein to be applied to pay interest on the 2025B Bonds in accordance with the Indenture.

Pursuant to a Written Request of the Board delivered to the State Treasurer, additional amounts may be transferred from the 2025B Project Account or other available funds of the Board to the 2025B Capitalized Interest Subaccount and the amounts to be disbursed from the 2025B Capitalized Interest Subaccount shall be modified in accordance with such Written Request of the Board.

No deposit need be made in the Interest Account if the amount contained therein (exclusive of amounts in any capitalized interest subaccount to be transferred on future dates) is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account and the subaccounts therein shall be withdrawn by the State Treasurer solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity); provided that the State Treasurer, upon the Written Request of the Board and upon receipt of such documentation as it may require, shall withdraw from such Interest Account and the subaccounts therein and pay to or upon order of the Board money sufficient to reimburse any Department for any Base Rental theretofore paid by such Department under a Facility Lease for that period of time during which the payment of Base Rental under such Facility Lease is abated and for which no other money (including proceeds of the rental interruption or use and occupancy insurance required by the Indenture and money in the Principal Account, the Surplus Account and in the event that any Bonds have been designated as Incorporated Bonds, the Reserve Fund) is available.

Principal Account On or before March 15 of each year, beginning on March 15, 2026, the State Treasurer shall cause to be set aside from the Revenue Fund and deposit into the 2025A Principal Subaccount, the 2025B Principal Subaccount, and any subaccount created with respect to Additional Bonds, of the Principal Account an amount of money equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on the next succeeding April 1 (with the amount deposited to each subaccount equal to the amount of principal becoming due and payable on the related Series of Bonds on such principal payment date), and on or before March 15 of each year, in which a mandatory sinking account payment is due on a Term Bond, the State Treasurer shall set aside from the Revenue Fund and deposit into the applicable subaccount of the Principal Account an amount of money equal to the aggregate amount of all mandatory sinking account payments required to be made on the next succeeding April 1 for the related Series of Bonds with such amount being credited to the respective sinking accounts for all Outstanding Term Bonds in accordance with the Indenture.

No deposit need be made in the Principal Account or any subaccount therein for any principal payment date if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such principal payment date plus the aggregate amount of all mandatory sinking account payments required to be made during the year ending on such principal payment date for all Outstanding Term Bonds.

The State Treasurer is required to establish and maintain within the subaccount of the Principal Account for each Series of Bonds with Term Bonds a separate subaccount for the Term Bonds of such Series and maturity, designated as the "____ Series ____ Sinking Account" (a "Sinking Account"), inserting therein the Series and maturity (if more than one such account is established for such Series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the State Treasurer shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the Series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Indenture and any Supplemental Indenture; provided that, at any time prior to giving such notice of such redemption, the State Treasurer may apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be determined by the State Treasurer, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the State Treasurer has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce the next succeeding mandatory sinking account payment.

All money in the Principal Account and the subaccounts therein shall be withdrawn by the State Treasurer solely for the purpose of paying the principal of the Bonds as they shall become due and payable, except that any money in any Sinking Account may be withdrawn by the State Treasurer to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created; provided that the State Treasurer, upon the Written Request of the Board and upon receipt of such documentation as it may require, shall withdraw from such Principal Account and the subaccounts therein and pay to or upon order of the Board money sufficient to reimburse any Department for any Base Rental theretofore paid by such Department under a Facility Lease for that period of time during which the payment of Base Rental under such Facility Lease is abated and for which no other money (including proceeds of the rental interruption or use and occupancy insurance required by the Indenture and any Supplemental Indenture and in the Surplus Account and in the event that any Bonds have been designated as Incorporated Bonds, the Reserve Fund) is available.

Surplus Account. After the deposits to the Interest Account and the Principal Account required by the Indenture have been made for a Bond Year, amounts remaining in the Revenue Fund (other than amounts in the 2025A Capitalized Interest Subaccount, the 2025B Capitalized Interest Subaccount and any subaccount for capitalized interest established in a Supplemental Indenture) shall be transferred first to the Rebate Fund if directed in a Written Request of the Board and second to the Surplus Account. If the Board is not then in default and if no Department is then in default under any of the Facility Leases, the State Treasurer shall disburse the money in the Surplus Account to or upon the order of the Board unless (1) the State Treasurer has not received all of the Base Rental due and payable in such year from each Department for deposit to the Revenue Fund, or (2) the State Treasurer, in its discretion, shall determine that any money in the Surplus Account is or will be required for the payment of the principal of or interest on the Bonds on any succeeding Interest Payment Date (assuming for the purpose of such determination that each Department shall pay when due all future payments of Base Rental required by the Facility Leases), or (3) in the event that any Bonds have been designated as Incorporated Bonds, the State Treasurer, in its discretion, shall determine that any money in the Surplus Account is or will be necessary to fund the amounts on deposit in the Reserve Fund up to an amount equal to the Reserve Fund Requirement (as defined in the Master Indenture), in which event such money shall be held in the Surplus Account for such purpose and shall be transferred by the State Treasurer to the Reserve Fund upon receipt of a Written Request of the Board; provided that the State Treasurer, upon the Written Request of the Board and upon receipt of such documentation as it may require, shall withdraw from the Surplus Account and pay to or upon order of the Board money sufficient to reimburse each Department for any Base Rental theretofore paid by such Department under a Facility Lease for a period of time during which the payment of Base Rental under such Facility Lease is abated and for which no other money (including proceeds of the rental interruption or use and occupancy insurance which may be provided under the provisions of the Indenture and, in the event that any Bonds have been designated as Incorporated Bonds, amounts in the Reserve Fund) is available.

Reserve Fund. In the event that a Series of Bonds is designated as Incorporated Bonds, then:

As and to the extent provided in the Master Indenture, the State Treasurer shall maintain and hold the Reserve Fund, which shall secure such Series of Bonds as and to the extent set forth in the Master Indenture.

If amounts in the Interest Account or the Principal Account and the subaccounts therein are insufficient to pay the principal of, redemption premium, if any, or interest on such Series of Bonds and if no other money of the Board is lawfully available therefor (including upon acceleration of such Series of Bonds pursuant to the Indenture), then, subject to the limitation set forth in the Indenture, the State Treasurer shall transfer amounts available in the Reserve Fund to the Interest Account and the Principal Account (and the subaccounts therein) to pay the principal of and interest on such Series of Bonds.

Deposit and Investment of Money in Accounts and Funds

All money held in any of the accounts or funds established under the Indenture shall be invested in Permitted Investments. Subject to the provisions of the Indenture, all interest or profits from the funds or accounts relating to the Bonds received prior to completion of the Projects shall be deposited in the account for such Series of Bonds within the 2025A Construction Fund or the 2025B Construction Fund (as specified in a Written Request of the Board); and thereafter all interest or profits shall be deposited in the Revenue Fund.

Covenants of the Board

The Indenture contains covenants of the Board with respect to the Bonds and the Facilities. Certain of these covenants follow. Reference is made to the full Indenture for a complete text of such covenants.

Punctual Payment and Performance; Right to Designate Incorporated Bonds. The Board will punctually pay the principal of, redemption premium, if any, and interest to become due on every Bond issued under the Indenture in strict conformity with the terms of the Indenture and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained in the Indenture and in the Bonds. At the time of or following the issuance of a Series of Bonds, the Board, in its sole discretion, may elect to designate such Series of Bonds as Incorporated Bonds. The Bondholders shall have no right to compel the Board to make such an election whether or not there has been a default under the Indenture.

Against Encumbrances. The Board will not make any pledge of or place or permit to be placed any charge or lien upon any of the Facilities or any part thereof or upon any of the Revenues except as provided in the Indenture, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Against Sale or Other Disposition of the Facilities. Except as permitted by a Facility Lease with respect to the delivery of Substituted Property, the Board will not sell or otherwise dispose of any of the Facilities or any part thereof essential to the proper operation of the Facilities or to the maintenance of any of the Revenues. The Board will not enter into any agreement which impairs the operation of the Facilities or any part thereof necessary to secure adequate Revenues for the payment of the principal of, redemption premium, if any, and interest on any of the Bonds, or which would otherwise impair the rights of the Holders with respect to the Revenues or the operation of the Facilities. Any real or personal property constituting part of a Facility which has become nonoperative or which is not needed for the efficient and proper operation of such Facility or any material or equipment constituting part of a Facility which has become worn out may be sold at not less than the market value thereof if such sale will not reduce the Revenues related to such Facility and if the net proceeds of such sale are treated as Revenues and applied in the manner provided in the Indenture. Nothing in the Indenture, including the foregoing provisions, shall preclude the right of the Board and the Departments to substitute other real property as Substituted Property, as set forth in any Facility Lease.

Tax Covenants; Rebate Fund. The State Treasurer shall establish and maintain a fund separate from any other fund or account established and maintained under the Indenture designated as the Rebate Fund (the "Rebate Fund"). The State Treasurer shall create within the Rebate Fund a separate account for each Series of Bonds issued under the Indenture as Tax-Exempt Obligations. There shall be deposited in each such separate account of the Rebate Fund such amounts as are required to be deposited therein pursuant to the applicable Tax Certificate related to such Series of Bonds (each such Tax Certificate executed with respect to a Series of Bonds is deemed to be incorporated in the Indenture by reference) as set forth in a Written Request of the Board. All money at any time deposited in the Rebate Fund shall be held by the State Treasurer in trust, to the extent required to satisfy the applicable Rebate Requirement (as defined in the Tax Certificate for each Series of Bonds issued as Tax-Exempt Obligations), for payment to the United States of America.

The Board and the State Treasurer shall not use or permit the use of any proceeds of the Bonds issued as Tax-Exempt Obligations or other amounts in any of the funds of the Board established under the Indenture, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of such Bonds to be treated as an obligation not described in Section 103(a) of the Internal Revenue Code. The Board and the State Treasurer specifically covenant to comply with the provisions and procedures of each Tax Certificate.

If the Board shall provide to the State Treasurer an Opinion of Counsel to the effect that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds of any Series which are issued as Tax-Exempt Obligations, the State Treasurer and the Board may conclusively rely on such Opinion of Counsel in complying with the requirements of this section, and the covenants under the Indenture shall be deemed to be modified to that extent.

Maintenance and Operation of the Facilities. The Board will maintain and preserve or cause to be maintained and preserved the Facilities in good order, condition and repair at all times and will operate the Facilities or cause the Facilities to be operated as required by the Act.

Insurance. The Board will maintain or cause to be maintained by the applicable Department on its Facility, (i) fire, lightning and extended coverage insurance on such Facility, which may be in the form of a builder's risk policy providing coverage in an amount not less than the construction costs expended for the related Project and, if no builder's risk policy is in effect, shall be in the form of a commercial property policy, in an amount equal to one hundred percent (100%) of the then current replacement cost of such Facility, excluding the replacement cost of the unimproved real property constituting the Site related to such Facility (except that such insurance may be subject to a deductible clause not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) for any one loss), and (ii) earthquake insurance (if, in the sole discretion of the Board, such insurance is available on the open market from reputable insurance companies at a reasonable cost) on any structure comprising such Facility in an amount equal to the full insurable value of such structure or the principal amount of the portion of the Outstanding Bonds issued with respect to such Facility, whichever is less (except that such insurance may be subject to a deductible clause not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) for any one loss). The extended coverage endorsement shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, vandalism and malicious mischief and such other hazards as are normally covered by such endorsement. Each such policy of insurance shall be in form satisfactory to the Board and shall contain a clause making all losses payable to the Board, the State Treasurer and the applicable Department, as their interests may appear, and all proceeds thereof shall be paid over to the party contractually responsible for making repairs of casualty damage or to the Board to redeem the Bonds as provided the Indenture.

In the event of any damage to or destruction of a Facility caused by the perils covered by such insurance, or in the event of a loss of use of all or a portion of a Facility due to a title defect for which the Board or a Department has obtained any title insurance, the proceeds of such insurance shall be utilized, in the discretion of the Board, either (i) to redeem Outstanding Bonds to the extent possible and in accordance with the provisions of the Indenture, but only if the Base Rental payments due after such a redemption, together with the other Revenues to be received thereunder, would be sufficient to retire the Bonds then Outstanding in accordance with their terms, or (ii) to repair, reconstruct or replace the Facility to the end that the Facility shall be restored to at least the same condition that it was in prior to such damage or destruction. If the Board so elects to repair, reconstruct or replace the Facility, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction or replacement shall be transferred to the Board and treated as Revenues and applied in the manner provided in the Indenture.

The Board shall maintain or cause to be maintained by the applicable Department, from and after the later of (i) the date any portion of a Facility is available for use and occupancy, and (ii) the last date on which the Base Rental related to such Facility is fully paid from capitalized interest on the Bonds, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Facility as a result of any of the hazards covered by the insurance required by the Indenture in an amount not less than the Base Rental payable by the Department under the applicable Facility Lease for the succeeding two (2) consecutive years. Any such insurance policy shall be in form satisfactory to the Board and shall contain a loss payable clause making any loss thereunder payable to the State Treasurer. Any proceeds of such insurance shall be used by the State Treasurer to reimburse the applicable Department for any rental theretofore paid by the Department under a Facility Lease for a period of time during which the payment of rental thereunder is abated, and any proceeds of such insurance not so used shall be applied as provided in the Indenture to the extent required to pay annual debt service on the Bonds or shall be applied as provided in the Indenture to the extent required to pay administrative costs of the Board in connection with the Facility.

The Board will deliver or cause to be delivered to the State Treasurer in the month of July in each year a schedule, in such detail as the State Treasurer in its discretion may request, setting forth the insurance policies then in force pursuant to the Indenture, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby. Each such insurance policy shall require that the State Treasurer and the Board be given thirty (30) days' notice of any intended cancellation thereof or reduction of the coverage provided thereby. Delivery to the State Treasurer of the schedule of insurance policies under the provisions of the Indenture shall not confer responsibility upon the State Treasurer as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the Board or by the State Treasurer, the Departments shall also deliver or cause to be delivered to the Board and the State Treasurer duplicate originals or certified copies of each insurance policy described in such schedule.

Department Budgets. As soon as practicable after the beginning of each Fiscal Year the State Treasurer and the Board shall coordinate and each shall determine whether each Department has made or has caused to be made adequate provision in that portion of the State's annual budget related to the Department, for such Fiscal Year for the payment of all rentals due under the Facility Leases in such Fiscal Year. If in the opinion of the State Treasurer the amounts so budgeted are not adequate for the payment of all rentals due under the Facility Leases in such Fiscal Year, the Board will take such action as may be necessary and within its power, including any actions pursuant to California Government Code Section 15848, to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be paid by the Department in such Fiscal Year for the payment of all rentals due under the Facility Leases in such Fiscal Year, or otherwise to cause the Base Rental to be appropriated and paid, and will notify the State Treasurer of the proceedings then taken or proposed to be taken by the Board.

Facility Leases and Other Documents. The Board will at all times maintain and vigorously enforce all of its rights under the Facility Leases and will promptly collect all rents and charges due for the use and occupancy of the Facilities as the same become due under the Facility Leases, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due under the Facility Leases. The Board will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Facility Leases by the lessee thereunder. Without the written consent of the State Treasurer, the Board will not alter or modify or agree or consent to alter or modify the Facility Leases, but with the written consent of the State Treasurer, the Board may consent to alterations or modifications thereof authorized in the Indenture and in the Facility Leases. The State Treasurer shall give such written consent only if: (i) in the opinion of the State Treasurer, such alterations or modifications will not result in any material impairment of the security given or intended to be given by the Indenture for the payment of the Bonds; or (ii) the State Treasurer first obtains the written consent of the Holders of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of any Bonds disqualified as provided in the Indenture, provided that no such alterations or modifications shall materially alter or impair the obligation of the Board to pay the principal of, redemption premium, if any, or interest on any Bonds without the written consent of the Holders of all such Bonds so affected; (iii) such alterations or modifications are made in accordance with the provisions of the Indenture described under "Adjustment of Base Rental Payments for Projects; Termination" below or the provisions of a Facility Lease permitting the delivery of Substituted Property; or (iv) such alterations or modifications will facilitate the refunding or defeasance of any of the Bonds pursuant to the Indenture and shall not materially adversely affect the interests of the Holders.

Without complying with the requirements described in the preceding paragraph, the Board may release and terminate any Facility Lease related to the Bonds as described below under "Adjustment of Base Rental Payments for Projects; Termination — *Partial Redemption or Partial Defeasance*."

Prosecution and Defense of Suits. The Board will promptly, upon request of the State Treasurer, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Facilities, whether now existing or developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the State Treasurer harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

Eminent Domain. If the whole or any portion of a Facility shall be taken by eminent domain proceedings (or sold to a governmental entity threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the State Treasurer in a special fund in trust and shall be applied and disbursed by the State Treasurer as follows:

If less than the entirety of the Facility shall have been so taken and the remainder is usable for purposes substantially similar to those for which it was constructed, and if the portion taken is replaced by a facility of equal or greater utility and of equal or greater fair rental value within or adjacent to such remainder, the State Treasurer shall disburse such proceeds to the party that incurred the expense of making such replacement; but if no such replacement is made, the State Treasurer shall apply such proceeds to redeem all or a portion of the Bonds pursuant to the Indenture and any Supplemental Indenture, as applicable.

If less than the entirety of the Facility shall have been so taken and the remainder is not usable for purposes substantially similar to those for which it was constructed, or if the entirety of the Facility shall have been so taken, the State Treasurer shall apply such proceeds, together with any other money then available to the State Treasurer for such purpose, for the payment of the entire amount of principal then due or to become due upon all of the Outstanding Bonds, together with the interest thereon so as to enable the Board to retire all of such Bonds then Outstanding by redemption or by payment at maturity; except that if such proceeds, together with any other money then lawfully available to the State Treasurer for such purpose, are insufficient to provide for the foregoing purpose, the State Treasurer shall apply such proceeds in accordance with the Indenture.

Further Assurances. Whenever and so often as requested to do so by the State Treasurer or any Holder, the Board will promptly cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture.

Continuing Disclosure. The Board and the State Treasurer covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Board, a Department or the State Treasurer to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default and shall not be deemed to create any monetary liability on the part of any of them or of the State to any other persons, including any Bondholder or Beneficial Owner; however, the State Treasurer may (and at the request of the Holders or Beneficial Owners of at least 25% of the aggregate principal amount of the Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board or the State Treasurer, as the case may be, to comply with its obligations under this paragraph of the Indenture. For purposes of this paragraph, "Beneficial Owner" means any person which 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).

Adjustment of Base Rental Payments for Projects; Termination

(a) Partial Redemption or Partial Defeasance. In the event that the Board effects a partial extraordinary redemption or partial optional redemption of the Bonds pursuant to the Indenture or a redemption of Additional Bonds pursuant to the redemption provisions in a Supplemental Indenture, or causes a portion of the Bonds to be paid or deemed paid in accordance with the provisions of the Indenture, the Board shall, in its discretion, determine which Base Rental payments shall have been paid and discharged and in the event that all Base Rental payments with respect to a Facility Lease shall have been paid and discharged, such Facility Lease and any related Site Lease shall terminate and no longer be subject to the provisions of the Indenture. In connection with any such partial redemption or partial defeasance of the Bonds, the Board shall deliver to the State Treasurer a Certificate of the Board stating which Base Rental payments have been deemed paid and discharged and that the remaining Base Rental payable under the

Facility Lease or Facility Leases, together with amounts on deposit in any subaccount for capitalized interest established in a Supplemental Indenture, if applicable, shall be sufficient to pay the principal of and interest on the Outstanding Bonds when due.

(b) Consent of Bondholders Not Required. So long as the applicable provisions of paragraph (a) above have been satisfied, any adjustment of the Base Rental payments due under a Facility Lease may be made without the consent of the Holders of any Bonds and shall be deemed not to result in any material impairment of the security given or intended to be given to the Holders of the Bonds.

(c) Termination of Facility Leases and Site Leases. Upon termination of any Facility Lease and the related Site Lease, such Facility Lease, Site Lease and related Facility shall no longer be subject to the provisions of the Indenture.

Amendments

The Indenture and the rights and obligations of the Board and of the Holders of the Bonds may be amended at any time by a Supplemental Indenture. Such amendments shall become binding when the written consents of the Holders of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the State Treasurer. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Board to pay the principal of, redemption premium, if any, or interest on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written consent of the Holder of such Bond, or (2) permit the creation by the Board of any pledge of or charge or lien upon the Revenues as provided in the Indenture superior to or on a parity with the pledge, charge and lien created by the Indenture for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the State Treasurer without its prior written assent thereto.

If any amendment shall not materially adversely affect the interests of the Holders, then the Indenture and the rights and obligations of the Board and of the Holders may also be amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery thereof without the consent of any of the Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Indenture to be performed by the Board other agreements and covenants thereafter to be performed by the Board, or to surrender any right or power reserved to or conferred on the Board pursuant to the terms of the Indenture;

(b) to cure any ambiguity, inconsistency or omission, or correct, cure or supplement any defective provision contained in the Indenture or in regard to questions arising thereunder which the Board may deem desirable or necessary or to make any other change which is not materially adverse to Holders;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds and the funds and accounts therefor, subject to the conditions and upon compliance with the procedure set forth in the Indenture;

(d) to modify the book-entry provisions of the Indenture or to allow for a substitute Securities Depository;

(e) to facilitate the refunding or defeasance of any of the Bonds pursuant to the Indenture;

(f) to provide for compliance with any future laws or regulations concerning provision of financial information or other notices to Holders;

(g) to facilitate the obtaining of any insurance policy or letter of credit securing one or more Series of the Bonds;

(h) to obtain or maintain a rating on any Series of Bonds from a Rating Agency;

(i) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(j) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds which are issued as Tax-Exempt Obligations, including the amendment of any Tax Certificate;

(k) to modify, amend or supplement the Indenture to allow for appointment of a successor trustee; or

(l) to designate a Series of Bonds as Incorporated Bonds.

Events of Default

The following events shall be events of default with respect to the Bonds:

(a) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(b) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption; or

(c) if default shall be made by the Board in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Board, and such default shall have continued for a period of sixty (60) days after the Board shall have been given notice in writing of such default by the State Treasurer, or

(d) if the Board shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Board seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Board or of the whole or any substantial part of its property.

Acceleration of Maturities

Upon the occurrence and continuance of an event of default, the State Treasurer may, or shall upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Board, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

This provision, however, is subject to the following conditions: (i) if, at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered, and (ii) if each of the following conditions has occurred or will occur: (a) the Board shall deposit with the State Treasurer a sum sufficient to pay all matured interest on all the Bonds and all principal of such Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the State Treasurer, and (b) any and all other defaults known to the State Treasurer (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the State Treasurer or provision deemed by the State Treasurer to be adequate shall have been made therefor, then and in every such case the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, by written notice to the Board and to the State Treasurer, may on behalf of the Holders of all such Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All moneys in the subaccounts, accounts and funds established under the Indenture, and, in the event that any Bonds have been designated as Incorporated Bonds, moneys available in the Reserve Fund (which in the case of an acceleration for a nonpayment default under the Indenture shall be limited to a pro rata share of the Reserve Fund determined by calculating the principal amount of any Outstanding Bonds secured by the Reserve Fund as a percentage of the principal amount of all outstanding bonds secured by the Reserve Fund), upon the date of the declaration of acceleration by the State Treasurer as provided in the Indenture and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Board under the Indenture shall be transmitted to the State Treasurer and shall be applied by the State Treasurer in the following order:

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the costs and expenses of the State Treasurer, if any, in carrying out the provisions of Indenture relating to such default, including reasonable compensation to its accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate borne by such Bonds. If such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Other Remedies of Holders

Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the Board or any member, officer or employee of the Board, and to compel the Board or any such member, officer or employee to perform, and carry out his or her duties under the Act and the agreements and covenants with the Holders contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the happening of an event of default to require the Board and its members, officers and employees to account as the trustee of an express trust.

Actions by State Treasurer, as Attorney-in-Fact

Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the State Treasurer for the equal benefit and protection of all Holders, and the State Treasurer is appointed (and the successive Holders, by taking and holding the Bonds issued under the Indenture, shall be conclusively deemed to have so appointed the State Treasurer) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the State Treasurer as such attorney-in-fact.

Remedies Not Exclusive

No remedy conferred in the Indenture upon or reserved to the Holders or the State Treasurer is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or later existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law, including the rights and remedies conferred pursuant to Sections 15841, 15842 and 15843 of the California Government Code.

Defeasance

(a) If the Board shall pay or cause to be paid or there shall otherwise be paid to the Holders of all or any portion of the Outstanding Bonds the principal thereof and the redemption premium, if any, and the interest thereon at the times and in the manner stipulated in the Indenture and in the Bonds, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Indenture, and the agreements, covenants and other obligations of the Board to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied; provided, however, that the following agreements, covenants and other obligations shall not be discharged and satisfied until all Bonds are paid in full: (i) the obligation of the State Treasurer to pay or cause to be paid to the Holders of the Bonds all sums due with respect to the Bonds from such moneys or investments that may have been set aside for such purposes in accordance with the Indenture; (ii) the obligation of the State Treasurer to register, transfer and exchange Bonds; (iii) the obligation of the Board to pay the amounts owing to the State Treasurer under the Indenture; and (iv) the obligation of the Board to comply with tax covenants set forth in the Indenture. If the Board shall discharge all Outstanding

Bonds, as provided above, the State Treasurer shall execute and deliver to the Board all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the State Treasurer shall pay over or deliver to the Board all money or securities held pursuant to the Indenture which are not required for the payment of the principal of, redemption premium, if any, and interest on the Bonds.

(b) Any Outstanding Bonds shall, prior to the maturity date or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if: (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Board shall have given to the State Treasurer, in form satisfactory to the State Treasurer, irrevocable instructions to send a notice of redemption of such Bonds in accordance with the provisions of the Indenture; (2) there shall have been deposited with the State Treasurer either (i) money in an amount which shall be sufficient and/or; (ii) Permitted Investments of the type described in clause (i) or clause (ii) of the definition of Permitted Investments and which are not subject to redemption prior to maturity except by the holder thereof (including any such Permitted Investments issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), tax-exempt securities rated AAA or its equivalent by a Rating Agency, or Permitted Investments of the type described in clause (xi) of the definition of Permitted Investments, the interest on, if any, and principal of which when paid will provide money which, together with the money, if any, deposited with the State Treasurer at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premium, if any, on such Bonds; and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Board shall have given the State Treasurer, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, a notice to the Holders of such Bonds, in the same manner that a notice of redemption is to be given pursuant to the Indenture, that the deposit required by clause (2) above has been made with the State Treasurer and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premium, if any, on such Bonds; and (4) the Board shall cause to be delivered to the State Treasurer: (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Bonds to be defeased in full on the maturity or redemption date ("Verification"), (ii) an escrow agreement, (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds to be defeased are no longer Outstanding under the Indenture, and (iv) a certificate of discharge of the Trustee with respect to the Bonds defeased. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Board and the State Treasurer.

Payments on Business Days Only

If an Interest Payment Date or other date on which interest or principal on the Bonds is due falls on a day that is not a Business Day, payment shall be made on the next succeeding Business Day and no additional interest shall accrue on the Bonds for the period after the date on which such interest or principal was due.

THE SITE LEASES

Jurisdiction over the Sites is vested in Department of General Services of the State of California ("DGS") or the Judicial Council of California ("Judicial Council"), as applicable.

A Site Lease will be entered into by and between a Department and the Board with respect to each Site on which a Project financed and refinanced from proceeds of the Bonds is located, pursuant to which there will be leased to the Board a Site. Each of the Site Leases is entered into for the purpose of leasing the related Site to the Board to enable the Board, in turn, to enter into a Facility Lease for such Site. Pursuant to the Site Leases, the Board will have jurisdiction over the Sites for the term of the related Facility Lease. Except as specified below, the Site Leases are substantially identical and the general terms of the Site Leases are summarized below.

In the following summary the term "Judicial Council Site Lease" refers to the Site Lease by and between the Board and the Judicial Council.

Lease of Site; Effect of Easement Agreement; Effect of Easement Consent

The Department leases to the Board and the Board leases from the Department, on the terms and conditions set forth in the Site Lease, the Site, the existing improvements thereon, and all rights appurtenant thereto, subject, however, to any conditions, reservations, and easements of record as of the date of the Site Lease.

Term

The term of the Site Lease commences on the date of issuance of the Bonds and shall end on April 1, 2050, unless such term is extended or sooner terminated as provided in this paragraph. If on April 1, 2050, any Bonds or other indebtedness of the Board incurred to pay for the related Project shall not be fully paid and retired as a result of the Base Rental (as defined in the Facility Lease) not being paid when due or being abated, then the term of the Site Lease shall be extended until ten (10) days after all the Bonds and other indebtedness of the Board outstanding as a result of the nonpayment of Base Rental under the Facility Lease shall be fully paid and retired, except that the term of the Site Lease shall in no event be extended beyond April 1, 2060. If prior to April 1, 2050, the portion of the Bonds and other indebtedness of the Board payable from the Base Rental shall be fully paid and retired, the term of the Site Lease shall end ten (10) days thereafter.

Purpose

The Board shall use the Site solely for the purpose of causing the related Project to be constructed thereon and leasing the Facility to the Department pursuant to the Facility Lease and for such purposes as may be incidental thereto; provided, that in the event of default by the Department under the Facility Lease, the Board may exercise the remedies provided in the Facility Lease.

Nonsubordination; Assignments and Subleases

The Site Lease shall be nonsubordinated and unless the Department shall be in default under the Facility Lease, the Board shall not assign its rights under the Site Lease or sublet the Site without the prior written consent of the Department.

Default

In the event the Board shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Board, the Department may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; provided, however, that the Department shall have no power to terminate the Site Lease by reason of any default on the part of the Board if such termination would affect or impair any assignment or sublease of all or any part of the Site then in effect between the Board and any assignee or subtenant of the Board (other than the subtenancy of the Department created under the Facility Lease); and provided, further, that so long as any bonds or other indebtedness incurred by the Board to pay for the Project are outstanding and unpaid in accordance with the terms of any indenture authorizing such bonds or other indebtedness, the rentals or any part thereof payable to the trustee pursuant to such indenture (by the terms of such assignment or sublease) shall continue to be paid to said trustee. So long as any such assignee or subtenant of the Board shall duly perform the terms and conditions of the Site Lease and of its then existing sublease (if any), such assignee or subtenant shall be deemed to be and shall become the tenant of the Department under the Site Lease and shall be entitled to all of the rights and privileges granted under any such assignment or sublease; provided, further, however, that, so long as any bonds or other indebtedness incurred by the Board to pay for the Project are outstanding and unpaid in accordance with the terms of any indenture authorizing such bonds or other indebtedness, the rentals or any part thereof payable to the trustee pursuant to such indenture (by the terms of such assignment or sublease) shall continue to be paid to said trustee.

Eminent Domain

In the event the whole or any part of the Site or the improvements thereon (including the Project) is taken permanently or temporarily under the power of eminent domain, the interest of the Board shall be recognized and is determined to be the amount of the then unpaid indebtedness incurred by the Board to finance or refinance the costs of the design and/or construction of the related Project, including the unpaid principal of and interest on any then outstanding bonds or other indebtedness of the Board, and shall be paid to the trustee under any indenture authorizing such bonds or other indebtedness and applied as provided in said indenture. The term "unpaid indebtedness," as used in the preceding sentence, includes the principal amount of the indebtedness evidenced by any outstanding bonds or notes of the Board issued to finance or refinance the costs of the design and/or construction of the related Project, together with the interest thereon and all other payments required to be made by the trustee pursuant to the indenture authorizing the issuance of said bonds or notes on account of said indebtedness, until such indebtedness, together with the interest thereon, has been paid in full in accordance with the terms thereof.

Amendment

The Site Lease may only be amended by a written instrument duly authorized and executed by the Department and the Board; provided, however, that no such amendment shall materially adversely affect the owners of the Bonds. The Site Lease may be amended to reflect any substitution of property under the Facility Lease.

THE FACILITY LEASES

In the following summary the term "Bonds" refers to, collectively, the 2025A Bonds and the 2025B Bonds. Except as noted below, the Facility Leases are substantially identical, and the general terms of the Facility Leases are summarized below. Each Facility Lease is by and between the Board, as lessor, and a Department, as lessee.

In the following summary the term "Judicial Council Facility Lease" refers to the Facility Lease for the Judicial Council's Project.

Purpose and Term

The Board leases the Facility to the Department and the Department leases the Facility from the Board on the terms and conditions set forth and subject to all easements, encumbrances and restrictions of record as of the date of the Facility Lease. The Department agrees and covenants during the term of the Facility Lease that, except as provided in the Facility Lease, it will use the Facility to afford the public the benefits contemplated by the Act, the Law and by the Facility Lease and so as to permit the Board to carry out its agreements and covenants contained in the Indenture and further agrees that it will not abandon the Facility.

The term of the Facility Lease will commence on the date of issuance of the Bonds and shall end on April 1, 2050, unless such term is extended or sooner terminated as provided in the Facility Lease. If on April 1, 2050, the Bonds or other indebtedness incurred by the Board to pay for the related Project are not fully paid and retired as a result of the Base Rental payable under the Facility Lease not being paid when due, or, as a result of the Base Rental having been abated at any time and for any reason, then the term of the Facility Lease shall be extended until the date upon which all Bonds and other indebtedness of the Board outstanding as a result of the nonpayment of such Base Rental are fully paid and retired, except that the term of the Facility Lease shall in no event be extended beyond April 1, 2060. If prior to April 1, 2050, the Bonds and other indebtedness of the Board payable from the Base Rental shall have been fully paid and retired or the related Site Lease shall have been terminated, then the term of such Facility Lease shall end simultaneously therewith.

Rental

The Department agrees to pay to the Board, its successors or assigns, without deduction or offset of any kind (except as set forth in paragraph (g) below), as rental for the use and occupancy of the Facility, the following amounts at the following times:

(a) (1) 2025A Base Rental. In order to allow the Board to pay the principal of and interest on the 2025A Bonds when due, subject to the provisions of subparagraph (3) below with respect to the Judicial Council Facility Lease, and with respect to both Facility Leases, subject to the provisions of paragraph (g) below, the Department shall pay to the Board Base Rental under the Facility Lease in the semiannual installments set forth therein. Such Base Rental shall be due and payable on or before March 15 and September 15 in each year through March 15, 2050, and, subject to the provisions of subparagraph (3) below with respect to the Judicial Council Facility Lease, the first Base Rental installment will be due on September 15, 2025. If any date for the payment of Base Rental is not a Business Day, such Base Rental shall be paid on the next succeeding Business Day. The payments of the Base Rental due on March 15 and September 15 of a calendar year as set forth in the Facility Lease shall be for the right to the use and occupancy of the Facility for the preceding six-month period.

(2) 2025B Base Rental. With respect to the Judicial Council Facility Lease, in order to allow the Board to pay the principal of and interest on the 2025B Bonds when due, subject to the provisions of subparagraph (3) below and the provisions of paragraph (g) below, the Judicial Council shall pay to the Board Base Rental under the Judicial Council Facility Lease in the semiannual installments set forth therein. Such Base Rental shall be due and payable on or before March 15 and September 15 in each year through March 15, 2034* and, subject to the provisions of the paragraph (3) below, the first Base Rental installment will be due on September 15, 2025. If any date for the payment of Base Rental is not a Business Day, such Base Rental shall be paid on the next succeeding Business Day.

(3) Initial Base Rental Payment. With respect to the Judicial Council Facility Lease, the payment of Base Rental due on September 15, 2025 shall be for the right to use and occupancy of the Judicial Council's Facility from the date of initial occupancy of any portion of the Judicial Council's Facility. Thereafter, the payments of the Base Rental due on March 15 and September 15 of a calendar year as set forth in the Judicial Council Facility Lease shall be for the right to the use and occupancy of the Judicial Council's Facility for the preceding six-month period.

* *Preliminary, subject to change.*

It is contemplated that the Judicial Council will take possession of its Facility and each and every part thereof on or before September 1, 2025. If the Judicial Council's Facility or any part thereof shall be substantially completed before September 1, 2025, the Judicial Council may take possession of its Facility or such part thereof upon such substantial completion. The Board covenants that it will cause the Judicial Council's Facility to be constructed with all practical dispatch.

(b) Additional Rental. In addition to the amounts described under the caption "Maintenance, Utilities, Taxes and Assessments" below, the Department shall pay to or upon the order of the Board as Additional Rental such reasonable amounts in each year as shall be required by the Board for the payment of all administrative costs and other expenses of the Board in connection with the Facility and the Project, including all expenses, compensation and indemnification of the State Treasurer payable by the Board under the Indenture, fees of accountants, fees of the Attorney General and other attorneys, litigation costs, insurance premiums and all other necessary costs of the Board and the State Treasurer or charges required to be paid by them in order to comply with the terms of the Act, the Law, the Indenture or the Bonds. Such Additional Rental shall be billed by the Board or the State Treasurer from time to time, together with a statement certifying that the amount so billed has been paid by the Board or by the State Treasurer on behalf of the Board for one or more of the items above described, or that such amount is then payable by the Board or the State Treasurer on behalf of the Board for such items. Amounts so billed shall be due and payable by the Department within thirty (30) days after receipt of the bill by the Department, and such amounts shall be deposited to the Expense Account of the Public Buildings Construction Fund established under the Act and do not constitute Revenues pledged under the Indenture.

(c) Total Rental. Such payments of Base Rental and Additional Rental for each rental payment period during the term of the Facility Lease shall constitute the total rental for such rental payment period, and shall be paid by the Department in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Facility during each such rental payment period for which such rental is paid. The Board and the Department have agreed and determined that the amount of such total rental is consistent with and does not exceed the fair rental value of the Facility. In making such determination, consideration has been given to the costs of the design and/or construction of the Project to be financed and refinanced by the Board with proceeds of, with respect to the Judicial Council Facility Lease, the Bonds, and with respect to the other Facility Lease, the 2025A Bonds, other obligations of the Board and the Department under the Facility Lease, the uses and purposes which may be served by the Facility and the benefits therefrom which will accrue to the Department and the general public.

(d) Payment Terms. Each installment of rental payable shall be paid in lawful money of the United States of America to or upon the order of the Board in Sacramento, California, or such other place as the Board shall designate. Any such installment of rental accruing which shall not be paid when due shall bear interest at the legal rate of interest per annum at which judgments for money in the State bear interest from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the Board and the Department, the Department shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute.

(e) Covenant to Budget. The Department covenants to take such action as may be necessary to include or cause to be included all such rental payments due under the Facility Lease in that portion of the annual budget of the State related to the Department and to make or cause to be made the necessary annual allocations for all such rental payments. The Department further covenants to take all actions necessary and appropriate to assist in implementing the procedure contained in California Government Code Section 15848 for making rental payments under the Facility Lease if the required rental payments have not been included in the annual budget adopted by the State or the State is operating without a budget. The covenants on the part of the Department contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Department to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Department to carry out and perform the agreements and covenants in the Facility Lease agreed to be carried out and performed by the Department.

(f) Order of Payments. All rental payments received shall be applied first to the Base Rental due and thereafter to all Additional Rental due, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

(g) Rental Abatement. The rental shall be abated proportionately during any period in which, by reason of any damage or destruction of the Facility (other than by eminent domain which is provided for under the caption "Eminent Domain" below), or title defect in the Site, there is substantial interference with the use and occupancy of the Facility or any portion thereof by the Department. Such abatement shall continue for the period commencing with such damage or destruction or title defect and ending when such use and occupancy are restored. The Department waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such damage or destruction.

Financing the Project

The Board agrees to use a portion of the proceeds of, with respect to the Judicial Council Facility Lease, the Bonds, and with respect to the other Facility Lease, the 2025A Bonds, to finance certain costs of the design and/or construction of the Project and costs incidental to or connected with such design and/or construction (or for making reimbursements to the Board or any other state agency, public agency, person, firm or corporation for such costs theretofore paid by him, her or it), to pay the interim loans from the State's General Fund, the proceeds of which were applied to a portion of the design and/or construction of the Project, and to pay for the costs of issuance related to the related Series of Bonds.

Maintenance, Utilities, Taxes and Assessments

(a) During the term of the Facility Lease, all maintenance and repair, both ordinary and extraordinary, of the Facility shall be the sole responsibility of the Department, which shall at all times maintain or otherwise arrange for the maintenance of the Facility in good condition, and the Department shall pay for or otherwise arrange for the payment of all utility services supplied to the Facility and shall pay for or otherwise arrange for the payment of the costs of the repair and replacement of the Facility resulting from ordinary wear and tear or want of care on the part of the Department or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Facility. In exchange for the rentals provided in the Facility Lease, the Board agrees to provide only the Facility.

(b) The Department shall also pay to the Board or upon the order of the Board, as Additional Rental such amounts, if any, in each year as shall be required by the Board for the payment of all taxes and assessments of any type or nature assessed or levied by any governmental agency or entity having power to levy taxes or assessments charged to the Board or the State Treasurer affecting or relating to the Facility or the respective interests or estates therein, or the amount of rentals received by the Board under the Facility Lease. Such amounts shall be deposited to the Expense Account of the Public Buildings Construction Fund established under the Act and do not constitute Revenues pledged under the Indenture.

Changes to the Facility

At its sole cost and expense, the Department shall have the right during the term of the Facility Lease to make additions, betterments, extensions or improvements to the Facility or to attach fixtures, structures or signs to the Facility if such additions, betterments, extensions or improvements or fixtures, structures or signs are necessary or beneficial for the use of the Facility by the Department, provided, however, that any such changes to the Facility shall be made in a manner that does not result in an abatement of Base Rental thereunder.

Insurance

(a) The Department shall maintain, or cause to be maintained (i) fire, lightning and extended coverage insurance on the Facility, which shall be in a form of a commercial property policy, in an amount equal to one hundred percent (100%) of the then current replacement cost of the Facility, excluding the replacement cost of the unimproved real property constituting the Site (except that such insurance may be subject to a deductible clause of not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) for any one loss), and with respect to the Judicial Council Facility Lease, initially may be in the form of a builder's risk policy providing coverage in an amount not less than the construction costs expended for the Project, and (ii) earthquake insurance (if, in the sole discretion of the Board, such insurance is available on the open market from reputable insurance companies at a reasonable cost) on any structure comprising part of the Facility in an amount equal to the full insurable value of such structure or the portion of the principal amount of the Outstanding Bonds and any Additional Bonds issued to finance and refinance the Project, whichever is less (except that such insurance may be subject to a deductible clause of not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) for any one loss). The extended coverage endorsement shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, vandalism and malicious mischief and such other hazards as are normally covered by such endorsement. Each such policy of insurance shall be in a form satisfactory to the Board and shall contain a clause making all losses payable to the Board, the State Treasurer and the Department, as their interests may appear, and all proceeds thereof shall be paid over to the party contractually responsible for making repairs of casualty damage or to the Board to redeem the Bonds or any Additional Bonds as provided in the Facility Lease.

In the event of any damage to or destruction of the Facility caused by the perils covered by the insurance described in the preceding paragraph, or in the event of a loss of use of all or a portion of the Facility due to a title defect for which the Board or the Department has obtained any title insurance, the proceeds of such insurance shall be utilized, in the sole discretion of the Board, either (i) to redeem Outstanding Bonds or Additional Bonds to the extent possible and in accordance with the provisions of the Indenture, but only if the Base Rental payments due after such a redemption, together with other Revenues available under the Indenture would be sufficient to retire the Bonds and any Additional Bonds then Outstanding in accordance with their terms, or (ii) for the repair, reconstruction or replacement of the Facility to the end that the Facility shall be restored to at least the same condition that it was in prior to such damage, destruction or loss of use. If the Board so elects to repair, reconstruct or replace the Facility, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction or replacement shall be transferred to the Board and treated as Revenues and applied in the manner provided in the Indenture.

(b) The Department shall maintain, or cause to be maintained (with respect to the Judicial Council Facility Lease, from and after the later of (i) the date any portion of the Judicial Council's Facility is available for use and occupancy, and (ii) the last date on which interest on the Bonds issued to finance and refinance the related Project is fully paid from capitalized interest), rental interruption insurance or use and occupancy insurance to cover loss, total or partial, of the use of the Facility as a result of any of the hazards covered by the insurance required by paragraph (a) above in an amount not less than the succeeding two (2) consecutive years' Base Rental. Any such insurance policy shall be in a form satisfactory to the Board and shall contain a loss payable clause making any loss thereunder payable to the State Treasurer. Any proceeds of such insurance shall be used by the State Treasurer to reimburse the Department for any rental theretofore paid by the Department under the Facility Lease for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used shall be applied as provided in the Indenture to the extent required to pay annual debt service on the Bonds and any Additional Bonds or shall be applied as provided in the Indenture to the extent required to pay administrative costs of the Board in connection with the Facility.

(c) The Department will deliver or cause to be delivered to the Board and the State Treasurer in the month of July in each year a schedule, in such detail as the State Treasurer or the Board in their discretion may request, setting forth the insurance policies then in force pursuant to the Facility Lease, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby. Each such insurance policy shall require that the State Treasurer and the Board be given thirty (30) days' notice of any intended cancellation thereof or reduction of the coverage provided thereby. Delivery to the State Treasurer and the Board of the schedule of insurance policies under the provisions of the Facility Lease shall not confer responsibility upon the State Treasurer or the Board as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the Board or the State Treasurer, the Department shall also deliver or cause to be delivered to the Board or the State Treasurer duplicate originals or certified copies of each insurance policy described in such schedule.

Breach

(a) If the Department shall fail to pay any rental payable under the Facility Lease when the same becomes due and payable, time being expressly declared to be of the essence of the Facility Lease, or the Department shall fail to keep, observe or perform any other term, covenant or condition contained in the Facility Lease to be kept or performed by the Department for a period of sixty (60) days after notice of the same has been given to the Department by the Board or the State Treasurer plus such additional time as may be reasonably required, in the discretion of the Board and the State Treasurer, to correct any of the same, or upon the happening of any of the events specified in paragraph (b) below, the Department shall be deemed to be in default under the Facility Lease and it shall be lawful for the Board to exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Board, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Facility Lease in the manner provided on account of default by the Department, notwithstanding any re-entry or re-letting of the Facility as provided for in subparagraph (2) below, and to re-enter the Facility and remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and place such personal property in storage in any warehouse or other suitable place. In the event of such termination, the Department agrees to immediately surrender possession of the Facility, without let or hindrance, and to pay the Board all damages recoverable at law that the Board may incur by reason of default by the Department, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facility and removal and storage of such property by the Board or its duly authorized agents in accordance with the provisions contained in the Facility Lease. Neither notice to pay rent or to deliver up possession of the Facility given pursuant to law nor any entry or re-entry by the Board nor any proceeding in unlawful detainer, or otherwise, brought by the Board for the purpose of effecting such re-entry or obtaining possession of the Facility nor the appointment of a receiver upon initiative of the Board to protect the Board's interest under the Facility Lease shall of itself operate to terminate the Facility Lease, and no termination of Facility Lease on account

of default by the Department shall be or become effective by operation of law or acts of the Board and the Department, or otherwise, unless and until the Board shall have given written notice to the Department of the election on the part of the Board to terminate the Facility Lease. The Department covenants and agrees that no surrender of the Facility or of the remainder of the term of the Facility Lease nor any termination of the Facility Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Board by such written notice.

(2) Without terminating the Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision of the Facility Lease to be kept or performed by the Department, or (ii) to exercise any and all rights of entry and re-entry upon the Facility. If the Board does not elect to terminate the Facility Lease in the manner provided for in subparagraph (1) above, the Department shall remain liable and agrees to keep or perform all covenants and conditions contained the Facility Lease to be kept or performed by the Department, and, if the Facility is not re-let, to pay the full amount of the rent to the end of the term of the Facility Lease or, if the Facility is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent thereunder, notwithstanding the fact that the Board may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facility Lease, and notwithstanding any entry or re-entry by the Board or suit in unlawful detainer or otherwise, brought by the Board for the purpose of effecting such re-entry or obtaining possession of the Facility. Should the Board elect to re-enter as provided in the Facility Lease, the Department irrevocably appoints the Board as the agent and attorney-in-fact of the Department to re-let the Facility, or any part thereof, from time to time, either in the Board's name or otherwise, upon such terms and conditions and for such use and period as the Board may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and to place such personal property in storage in any warehouse or other suitable place for the Department, for the account of and at the expense of the Department, and the Department exempts and agrees to hold harmless the Board from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facility and removal and storage of such property by the Board or its duly authorized agents in accordance with the provisions contained in the Facility Lease except for any such costs, loss or damage resulting from the intentional or negligent actions of the Board or its agents. The Department agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Board to re-let the Facility in the event of such re-entry without effecting a surrender of the Facility Lease, and further agrees that no acts of the Board in effecting such re-letting shall constitute a surrender or termination of the Facility Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the Department, the right to terminate the Facility Lease shall vest in the Board to be effected in the sole and exclusive manner provided for in subparagraph (1) above. The Department further waives the right to any rental obtained by the Board in excess of the rental specified in the Facility Lease and conveys and releases such excess to the Board as compensation to the Board for its services in re-letting the Facility. The Department further agrees to pay the Board the cost of any alterations or additions to the Facility necessary to place the Facility in condition for re-letting immediately upon notice to the Department of the completion and installation of such additions or alterations.

The Department waives any and all claims for damages caused or which may be caused by the Board in re-entering and taking possession of the Facility as provided in the Facility Lease and all claims for damages that may result from the destruction of or injury to the Facility and all claims for damages to or loss of any property belonging to the Department, or any other person, that may be in or upon the Facility, except for such claims resulting from the intentional or negligent actions of the Board or its agents.

Upon the occurrence of an event of default, payments of Base Rental may not be accelerated.

Each and all of the remedies given to the Board under the Facility Lease or by any law now or later enacted are cumulative and the single or partial exercise of any right, power or privilege under the Facility Lease shall not impair the right of the Board to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this section shall include, but not be limited to, re-letting by means of the operation or other utilization by the Board of the Facility. If any statute or rule of law validly shall limit the remedies given to the Board under the Facility Lease, the Board nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

If the Board shall prevail in any action brought to enforce any of the terms and provisions of the Facility Lease, the Department agrees to pay a reasonable amount as and for attorney's fees incurred by the Board in attempting to enforce any of the remedies available to the Board under the Facility Lease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

(b) In addition to any default resulting from breach by the Department of any term or covenant of the Facility Lease, if (1) the interest of the Department in the Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Board, either voluntarily or by operation of law, or (2) the Department or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Department asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the debts or obligations of the Department, or offers to the Department's creditors to effect a composition or extension of time to pay the Department's debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of the Department's debts or for any other similar relief, or if any such petition or if any such proceedings of the same or similar kind or character be filed or be instituted or taken against the Department, or if a receiver of the business or of the property or assets of the Department shall be appointed by any court, except a receiver appointed at the instance or request of the Board, or if the Department shall make a general or any assignment for the benefit of the Department's creditors, or (3) the Department shall abandon the Facility, then the Department shall be deemed to be in default under the Facility Lease.

(c) The Board shall in no event be in default in the performance of any of its obligations under the Facility Lease unless and until the Board shall have failed to perform such obligations within sixty (60) days or such additional time as is reasonably required to correct any such default after notice by the Department to the Board properly specifying wherein the Board has failed to perform any such obligation.

Eminent Domain

If the whole or any portion of the Facility shall be taken by eminent domain proceedings (or sold to a governmental entity threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the State Treasurer in a special fund in trust and shall be applied and disbursed by the State Treasurer as follows:

(a) If less than the entire Facility shall have been so taken and the remainder is usable for purposes substantially similar to those for which it was constructed, then the Facility Lease shall continue in full force and effect as to such remainder and (i) if the portion taken is replaced by a facility of equal or greater utility and of equal or greater fair rental value within or adjacent to such remainder, the State Treasurer shall disburse such proceeds to the party that incurred the expense of making such replacement and there shall not be any abatement of rental under the Facility Lease, or (ii) failing the making of such replacement, there shall be a partial abatement of rental under the Facility Lease and the State Treasurer shall apply such proceeds as specified in subsection (b).

(b) If less than the entire Facility shall have been so taken and the remainder is not usable for purposes substantially similar to those for which it was constructed, or if the entire Facility shall have been so taken, then the term of the Facility Lease shall cease as of the day that possession shall be so taken, and the State Treasurer shall apply such proceeds, together with any other money then available to the State Treasurer for such purpose, for the payment of the entire amount of principal then due or to become due upon the portion of the Outstanding Bonds and any Additional Bonds issued to finance and refinance the Project, together with the interest thereon so as to enable the Board to retire such portion of the Bonds and any Additional Bonds then Outstanding by redemption or by payment at maturity; except that if such proceeds, together with any other money, then lawfully available to it for such purpose, are insufficient to provide for the foregoing purpose, the State Treasurer shall apply such proceeds in accordance with the provisions of the Indenture so far as the same may be applicable.

Liens; Prohibitions Against Encumbrance

(a) In the event the Department shall at any time during the term of the Facility Lease cause any additions, betterments, extensions or improvements to the Facility to be constructed or materials to be supplied in or upon the Facility, the Department shall pay or cause to be paid when due all sums of money that may become due, or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Department in, upon or about the Facility and shall keep the Facility free of any and all mechanics' or materialmen's liens or other liens against the Facility or the Board's interest therein. In the event any such lien attaches to or is filed against the Facility or the Board's interest therein, the Department shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Department desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Department shall forthwith pay or cause to be paid and discharged such judgment. The Department agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Board, the State Treasurer, and their members, directors, agents, successors and assigns harmless from and against and defend each of them against any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Facility or the Board's interest therein.

(b) The Department agrees it will not create or suffer to be created any recorded or unrecorded mortgage, pledge, lien, charge, easement, rights of way or other rights, reservations, covenants, conditions, restrictions or encumbrance upon the Facility except for Permitted Encumbrances. "Permitted Encumbrances" is defined in the Facility Lease as, as of any particular time: (1) liens for general ad valorem taxes and assessments, if any, not then delinquent; (2) the Site Lease and the Facility Lease, as they may be amended from time to time; (3) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, which exist of record as of the date of issuance of the Bonds; and (4) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of issuance of the Bonds and to which the Board consents in writing.

Quiet Enjoyment

The Board and the Department mutually covenant that the Department, so long as it keeps and performs the agreements and covenants contained in the Facility Lease and is not in default under the

Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Facility without suit, trouble or hindrance from the Board.

Status of Private Activity Use of the Projects

The Department covenants and agrees to provide updated information to the Board and the State Treasurer annually regarding the private activity use, if any, of the Project. The information that must be updated annually is set forth in the Tax Certificate as executed and delivered by the Board upon the initial issuance of the 2025A Bonds.

Tax Covenants

The Department covenants that the Department will not use or permit any use of the Project, and shall not take or permit to be taken any other action or actions, which would cause any 2025A Bond to be a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated from time to time thereunder. The Department further covenants that it will not take any action or fail to take any action, if such action or the failure to take such action would adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2025A Bonds. The Department covenants and agrees that it will cooperate with the Board and will provide all information reasonably requested by the Board regarding the Project in connection with maintaining and using the Project in compliance with covenants in the Tax Certificate or Section 141 of the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated from time to time thereunder.

Continuing Disclosure

The Department covenants and agrees that it will cooperate with the Board and the State Treasurer to comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it, and will provide all information reasonably requested by the Board or the State Treasurer regarding the Facility, and in the event all or a portion of the Facility, is substituted with Substituted Property, information regarding the Facility and the Project, in connection with continuing disclosure obligations. Notwithstanding any other provision of the Facility Lease, failure of the Department to comply with the Continuing Disclosure Agreement shall not be considered an event of default under the Facility Lease and shall not be deemed to create any monetary liability on the part of the Board, the Department or the State Treasurer to any other persons, including any Holder or Beneficial Owner of the Bonds; however, the State Treasurer may (and, at the request of the Holders or Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or 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 Department to comply with its obligations under this paragraph. For purposes of this paragraph, "Beneficial Owner" means any person which 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).

Law Governing

The Facility Lease shall be governed exclusively by the provisions of the Facility Lease and by the laws of the State as the same from time to time exist. Any action or proceeding to enforce or interpret any provision of the Facility Lease, to the extent permitted by law, shall be brought, commenced or prosecuted in Sacramento County, California.

Amendment

The Facility Lease may only be amended by a written instrument duly authorized and executed by the Board and the Department with the written consent of the State Treasurer; provided, however, that no such amendment shall materially adversely affect the owners of the Bonds or any Additional Bonds. Any amendment of the Facility Lease made to comply with the provisions of the Indenture with respect to the issuance of a series of Additional Bonds shall be deemed to not materially adversely affect the owners of the Bonds or any previously issued Additional Bonds.

Net Lease

The Facility Lease shall be deemed and construed to be a "net lease" and the Department agrees that the rentals provided for in the Facility Lease shall be an absolute net return to the Board, free and clear of any expenses, charges or set-offs whatsoever.

Substitution

The Department and the Board jointly, but not separately, reserve the right at any time, in their sole discretion, to substitute any Substituted Property for all or any portion of the Facility without Bondholder consent, provided that:

(a) the Department and the Board find (and deliver a certificate of the Department and the Board to the State Treasurer setting forth such findings) that (i) the Substituted Property (and any remaining portion of the Facility) has the same or greater annual fair rental value than the annual Base Rental payments remaining unpaid pursuant to the Facility Lease and (ii) the Base Rental payments being made by the Department pursuant to the Facility Lease will not be reduced as a result of the proposed substitution; and

(b) the Department provides a certificate to the Board and the State Treasurer certifying that (i) the Substituted Property (A) has similar or greater utility to the Department in performing its essential governmental functions as the Facility, and (B) has equivalent or greater economic useful life than the period remaining until the last maturity of the Bonds; (ii) the Department has transferred an appropriate interest in the Substituted Property (by amendment to the Site Lease or otherwise) to the Board so that the Board may lease such property to the Department; and (iii) the Facility Lease has been amended to include the Substituted Property; and

(c) the Board obtains and delivers to the State Treasurer an Opinion of Counsel to the effect that such substitution will not, in and of itself, cause the interest on the 2025A Bonds to be included in gross income for federal income tax purposes; and

(d) the Department provides a certificate to the Board and the State Treasurer certifying that the Substituted Property is not subject to any liens or encumbrances, except for encumbrances permitted by the Board which will not adversely affect the right of the Department to use and occupy the Substituted Property in accordance with the provisions of the Facility Lease; and

(e) not less than 15 days prior to the date on which the Substituted Property is substituted pursuant to the Facility Lease, the Board shall deliver copies of the proposed amendments to the Site Lease and the Facility Lease to any rating agency then rating the Bonds.

Any substitution of Substituted Property in accordance with the foregoing provisions may be made without the consent of any Bondholder and shall be deemed not to result in any material impairment of the security given or intended to be given to the Bondholders under the Indenture. In no event shall the Department or the Board be obligated or compelled to deliver any Substituted Property pursuant to the Facility Lease.

APPENDIX D

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated April __, 2025, is by and among the State Public Works Board of the State of California (the "Board"), the Department of General Services of the State of California and the Judicial Council of California (each a "Department" and, collectively, the "Departments") and the Treasurer of the State of California, as trustee acting in the capacity of dissemination agent hereunder (the "State Treasurer"), and is made and delivered in connection with the issuance by the Board of its (a) Lease Revenue Bonds 2025 Series A (Various Capital Projects) the "Series 2025A Bonds") and (b) Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds) (the "2025B Bonds" and, together with the Series 2025A Bonds, the "Bonds"). The Bonds are being issued under the Indenture, dated as of April 1, 2025, by and between the Board and the State Treasurer, as trustee (the "Indenture"). The Bonds are being issued by the Board to provide funds (i) to finance and refinance the design and/or construction of all or a portion of the Projects, including reimbursement of certain interim loans made to the Board previously used to pay for certain of such Project costs, (ii) to pay certain capitalized interest on the portions of the Bonds issued for the Courthouse, and (iii) to pay the costs of issuance of the Bonds. In accordance with the terms of the Indenture, the Board, the Departments and the State Treasurer covenant and agree with respect to the Bonds as follows:

SECTION 1. Nature of the Disclosure Agreement. This Disclosure Agreement is executed for the benefit of the Holders (as defined below) and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below).

SECTION 2. Definitions. Unless otherwise defined in this Disclosure Agreement or this Section 1, all capitalized terms shall have the meanings ascribed to them in the Indenture:

"*Annual Report*" means the Annual Report provided by the State Treasurer on behalf of the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"*Beneficial Owner*" means any person who has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries).

"*Dissemination Agent*" means the State Treasurer, acting in the capacity of Dissemination Agent under this Disclosure Agreement, 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 (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). 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*" means any person in whose name any Bond is registered.

"*Listed Events*" means any of the events listed in Section 5(a) or 5(b) of this Disclosure Agreement.

"*MSRB*" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission ("SEC") to receive reports or notices pursuant to the Rule. Unless 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*" means the Official Statement dated April __, 2025 relating to the Bonds.

"*Participating Underwriter*" means any original purchaser of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"*Rule*" means 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.

"*State*" means the State of California.

SECTION 3. Provision of Annual Reports.

(a) On behalf of the Board, the State Treasurer shall, not later than April 1 of each year in which any Bonds are Outstanding, commencing with the report for the 2024-2025 fiscal year to be delivered by April 1, 2026, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy of such Annual Report to the Executive Director of the Board. The Annual Report must be 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 Agreement; 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, the State Treasurer, on behalf of the Board, shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof. 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) The Board and the Departments shall each provide to the State Treasurer (i) not later than March 1 of each year, commencing with information to be provided by March 1, 2026, any information requested by the State Treasurer in connection with the Annual Report; and (ii) at any other time in the year, any information with respect to any other disclosure obligations hereunder.

(c) If in any year the State Treasurer does not provide the Annual Report to the MSRB in the manner and by the time specified above, the State Treasurer shall, in a timely manner, send or cause to be sent, on behalf of the Board, to the MSRB a notice in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent is not the State Treasurer, the Dissemination Agent shall:

(1) file a report with the State Treasurer, the Executive Director of the Board and each Department certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB; and

(2) take any other actions mutually agreed to between the Dissemination Agent and the State Treasurer.

(e) The State Treasurer will promptly file the audited Basic Financial Statements of the State for the fiscal year ended June 30, 2024, when available, in the same manner as the Annual Report set forth in Section 3(a).

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following financial information or operating data:

(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) of this Disclosure Agreement, 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.

(b) Financial information relating to the State's General Fund budget for the fiscal year ended on the previous June 30 and 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 in APPENDIX A — "THE STATE OF CALIFORNIA" of the Official Statement:

Table 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-revenue debt. This shall be accomplished by updating the following tables which appear under the caption APPENDIX A — "THE STATE OF CALIFORNIA — STATE DEBT TABLES" in the Official Statement:

Table Entitled:

Outstanding State Debt

Authorized and Outstanding General Obligation Bonds

Schedule of Debt Service Requirements for Enterprise Fund —Self Liquidating Bonds —Fixed Rate

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 Lease-Revenue Debt —Fixed Rate

State Public Works Board Outstanding Issues

General Obligation and Lease-Revenue Bonds —Summary of Debt Service Requirements

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 such 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) A statement confirming that the insurance required by the Facility Lease or Facility Leases is in effect or, if insurance is not in effect, naming the reason therefor.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the State or bond issues of the Board, which have been made available to the public on the MSRB's EMMA website. The Annual Report shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) On behalf of the Board, 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 not later than ten (10) business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) tender offers;

(3) defeasances;

(4) rating changes;

(5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(6) unscheduled draws on debt service reserves reflecting financial difficulties;

(7) unscheduled draws on credit enhancements reflecting financial difficulties;

(8) substitution of credit or liquidity providers, or their failure to perform;

(9) bankruptcy, insolvency, receivership or similar event of the Board or a Department, as further described below; or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board or a Department, any of which reflect financial difficulties.

Note: for the purposes of the event described in subparagraph (9) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board or a Department in a proceeding under the United States 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 Board or a Department, as applicable, or if such jurisdiction has been assumed by leaving the existing governing 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 Board or a Department.

(b) At the direction of the Board, 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, no later than ten (10) 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 2025A Bonds or other events affecting the tax status of the Bonds;

(2) non-payment related defaults;

(3) modifications to the rights of Holders;

(4) optional, contingent, or unscheduled bond calls;

(5) release, substitution, or sale of property securing repayment of the Bonds;

(6) appointment of a successor or additional trustee or the change of the name of a trustee;

(7) the consummation of a merger, consolidation or acquisition involving the Board or a Department or the sale of all or substantially all of the assets of the Board or a Department, 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; or

(8) incurrence of a Financial Obligation of the Board or a Department or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board or a Department, any of which affect security holders.

(c) If the Board learns of the occurrence of a Listed Event described in Section 5(a), or the Board determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Board shall direct the State Treasurer to file, on the Board's behalf, a notice of such occurrence, within ten (10) business days of the occurrence, with the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(4) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

(d) Each Department shall provide notice to the Board promptly of the occurrence of any event which causes its respective Facility (or Facilities, as applicable), or any portion thereof, not to be available for beneficial use or occupancy. If such occurrence is determined by the Board to be material under applicable federal securities laws, the Board shall direct the State Treasurer to file, on the Board's behalf, a notice of such occurrence with the MSRB within ten (10) business days of such determination by the Board, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Obligations. Each party's obligation under this Disclosure Agreement shall terminate with respect to the Bonds upon the maturity, legal defeasance, prior redemption or acceleration and payment of the 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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 Agreement, the Board, the Departments and the State Treasurer may amend or waive any provision of this Disclosure Agreement provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a), 5(b), 5(c), 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) of this Disclosure Agreement, 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 in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners. The Board, the Departments and the State Treasurer also may amend this Disclosure Agreement 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 Agreement, 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 about the State, the Board and/or the Departments. 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(c) hereof, and (ii) the Annual Report for the year in which the change is made shall 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 Agreement shall be deemed to prevent the Board, the Departments or the State Treasurer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Board or 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 Agreement, neither the Board nor the State Treasurer shall have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Participating Underwriter, 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 State Treasurer to enforce the provisions of this Disclosure Agreement on behalf of the Holders).

SECTION 11. Default. In the event of a failure of the Board, the State Treasurer or a Department to comply with any provision of this Disclosure Agreement, the State Treasurer may (and, at the request of the Holders or Beneficial Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board, the State Treasurer or a Department, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture. This Disclosure Agreement shall not be deemed to create any monetary liability on the part of the Board, the Departments or the State Treasurer to any person, including Holders. The sole remedy in the event of any failure of the Board, a Department or the State Treasurer to comply with this Disclosure Agreement shall be an action to compel performance of any act required hereunder.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13. 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 Board, a Department or 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 shall retain all the benefits afforded to them hereunder. The Board, the Departments and the State Treasurer hereby declare that they would have executed and delivered this Disclosure Agreement 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 14. Governing Law; Venue. The laws of the State shall govern this Disclosure Agreement, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Agreement shall be brought, commenced or prosecuted in Sacramento County, California.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Board, the State Treasurer and the Departments have caused this Disclosure Agreement to be executed by their respective officers as of the date first above written.

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA

By:____
[Deputy][Executive] Director

TREASURER OF THE STATE OF CALIFORNIA, as Dissemination Agent

By:____
Deputy Treasurer
For California State Treasurer Fiona Ma

DEPARTMENT OF GENERAL SERVICES OF THE STATE OF CALIFORNIA

By:____
[Signatory]

JUDICIAL COUNCIL OF CALIFORNIA

By:____
[Signatory]

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA	
Name of Bond Issue:	STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA $[__________] Lease Revenue Bonds (Various Capital Projects) 2025 Series A	 $[__________] Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds)
Date of Issuance:	April __, 2025	

NOTICE IS HEREBY GIVEN that the State Public Works Board of the State of California (the "Board") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated the Date of Issuance, by and among the Board, the Treasurer of the State of California, as trustee, and the Departments. [The Board anticipates that the Annual Report will be filed by _______.]

Dated:___________

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA

APPENDIX E

DTC AND THE BOOK-ENTRY SYSTEM

The information in the following section entitled "DTC and the Book-Entry System" has been provided by DTC for use in securities offering documents, and the Board, the State Treasurer and the Participating Agencies take no responsibility for the accuracy or completeness thereof. Neither the Board nor the State of California can give or does give any assurances that DTC, DTC Direct Participants or DTC 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 Direct 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 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 issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 an 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. The information on such website is not incorporated herein.

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 affect 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. Neither the Board nor the State Treasurer will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Bonds. 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. Principal and interest payments with respect to 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 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, the Board or the State Treasurer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 Board or 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. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or 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.

11. The Board or 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 Board or 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 Treasurer 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 Indenture. 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 Indenture. 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.

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 TO OWNERS TO ONLY 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.

12. 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.

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" HEREIN) SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

13. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board and State Treasurer believe to be reliable, but the Board and State Treasurer take no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORMS OF FINAL LEGAL OPINIONS
OF THE ATTORNEY GENERAL, COUNSEL TO THE BOARD AND BOND COUNSEL

FORM OF OPINION OF THE ATTORNEY GENERAL

The Attorney General will deliver an opinion on the Bonds, which will be substantially in the following form:

[Closing Date]

State Public Works Board of the State of California
Sacramento, California

The Honorable Fiona Ma
Treasurer of the State of California
Sacramento, California

$[AMOUNT]
State Public Works Board of the State of California
Lease Revenue Bonds
2025 Series A
(Various Capital Projects)

$[AMOUNT]
State Public Works Board of the State of California
Lease Revenue Bonds
(Judicial Council of California)
2025 Series B
(Sacramento County Courthouse)
(Federally Taxable Bonds)

Final Opinion

We have acted as counsel to the State Public Works Board of the State of California (the "Board") in connection with the issuance of the above-referenced bonds (the "Bonds"), issued pursuant to Part 10b of Division 3 of Title 2 of the California Government Code, as amended (commencing with section 15800) (the "Act"), the Law and an Indenture, dated April 1, 2025 (the "Indenture"), by and between the Board and the Treasurer of the State of California (the "State Treasurer"), as trustee. The Bonds are being issued to finance and refinance various capital projects undertaken by the Department of General Services of the State of California and the Judicial Council of California (each a "Department," and together, the "Departments"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In rendering the opinions set forth herein, we have reviewed the Indenture, the Facility Leases, the Site Leases, opinions of counsel to each Department and the Board, and certifications of each Department, the State Treasurer, the Board and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than a Department, the Board and the State Treasurer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above.

We have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Leases, and the Site Leases. Certain agreements, requirements and procedures contained or referred to in the Indenture, the Facility Leases, the Site Leases, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 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 the date hereof, and we disclaim any obligation to update this opinion.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Facility Leases and the Site Leases, 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 on legal remedies against state and local governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We have not made or undertaken any investigation of the state or quality of title to, or interest in, any real or personal property described in the Facility Leases, the Site Leases, or the Indenture, or the accuracy or sufficiency of the description of any such property contained therein, and we express no opinion with respect to the title to, or description of, any such property, or to the priority of any liens on or security interests in any such property or any remedies available to enforce any such liens or security interests. Further, while the Act authorizes the use of proceeds as described in the aforementioned documents, we otherwise give no opinion regarding the use of proceeds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement 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 following opinions:

1. The Bonds constitute the valid and binding special obligations of the Board.

2. The Indenture has been duly executed and delivered by the parties thereto, and the Indenture constitutes a valid and binding agreements of the parties thereto. The Indenture creates a valid pledge, to secure the payment of the principal of, and interest on, the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the State Treasurer in any of the related funds and accounts established for the Bonds pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Facility Leases and the Site Leases have been duly authorized, executed and delivered by the parties thereto, and the Facility Leases and the Site Leases constitute valid and binding agreements of the parties thereto. The obligation of each Department to pay Base Rental during the term of the Facility Lease on which it is obligated constitutes a valid and binding obligation of such Department. The Base Rental payable by the Departments to the Board under the terms of the Facility Leases, and subject to the terms and conditions set forth therein, constitutes the primary source of funds of the Board for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds, and such Base Rental is payable only from funds of the Departments legally available therefor.

4. The Bonds are not a lien or charge upon the funds or property of the Board except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of, or redemption premium, if any, or interest on, the Bonds. The Bonds are not a debt of any Department, the Board or the State of California within the meaning of any constitutional or statutory debt limit or restriction, and the State of California is not liable for payment thereof.

Sincerely,

Deputy Attorney General

For ROB BONTA
Attorney General

FORM OF OPINION OF COUNSEL TO THE BOARD

Counsel to the Board will deliver an opinion for the Bonds, which will be substantially in the following form:

[Closing Date]

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA

$_________
LEASE REVENUE BONDS
2025 SERIES A
(VARIOUS CAPITAL PROJECTS)

$_________
LEASE REVENUE BONDS
(JUDICIAL COUNCIL OF CALIFORNIA)
2025 SERIES B
(SACRAMENTO COUNTY COURTHOUSE)
(FEDERALLY TAXABLE BONDS)

Ladies and Gentlemen:

I am a staff attorney with the Department of Finance and have acted as legal counsel to the State Public Works Board of the State of California (the "Board") in connection with the issuance and sale of the above-captioned bonds and am authorized to deliver this opinion on behalf of the Board.

The State Public Works Board of the State of California Lease Revenue Bonds 2025 Series A (Various Capital Projects) and the State Public Works Board of the State of California Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds) (together, the "Bonds") are being issued pursuant to the State Building Construction Act of 1955, being Part 10b of Division 3 of Title 2 of the California Government Code, as amended (commencing with Section 15800) (the "Act"), the Law (as defined in the Indenture defined below) and the indenture, dated as of April 1, 2025 related to the Bonds (the "Indenture") by and between the Board and the Treasurer of the State of California, as Trustee. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms as set forth in the Indenture and if not defined in the Indenture in the Purchase Contract, dated _________, 2025 (the "Purchase Contract"), by and among the Board, the Treasurer of the State of California, acting as agent for sale on behalf of the Board, and the Representatives of the Underwriters of the Bonds named therein.

In rendering the opinions set forth herein, I have reviewed relevant law, facts, documents and proceedings as I deemed necessary for the purpose of this opinion. I have assumed the genuineness of all documents and signatures presented to me (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Board. I have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to above. I 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 Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract, nor do I express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Site Leases or the Facility Leases, or the accuracy or sufficiency of the description contained therein.

I am of the opinion that as of the date hereof:

1. The Board is an entity of state government of the State of California created upon enactment by the State Legislature as set forth in Part 10.5 of Division 3 of Title 2 of the Government Code

of the State of California, as amended (commencing at Section 15752), with full legal right, power and authority to enter into the Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract and perform its obligations thereunder.

2. The resolution of the Board (the "Resolution") approving the execution and delivery of the Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract, and approving the delivery of the Official Statement relating to the Bonds (the "Official Statement") was duly adopted on March 27, 2025 at a meeting of the Board which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution has not been amended or rescinded and is still in full force and effect.

3. The Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract have been duly authorized, executed and delivered by the Board and are valid and binding upon and enforceable against the Board in accordance with their respective terms if they are in like fashion valid and binding upon and enforceable against the respective other parties thereto, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery by the Board of the Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract and compliance with the respective provisions thereof, and the issuance, delivery and sale of the Bonds do not and will not materially conflict with or constitute on the part of the Board a breach of or a default under any law, administrative regulation, judgment, decree or any agreement or other instrument known to me to which the Board is a party or otherwise subject, nor will any such delivery, issuance, sale or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues, property or assets of the Board, except as expressly provided or permitted by the Act, the Law, the Indenture, the Site Leases, the Facility Leases and the Bonds.

5. All actions on the part of the Board necessary for the execution and delivery of the Bonds, the Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract have been duly and validly taken. No consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained by the Board is required to be obtained by the Board for the execution and delivery by the Board of the Bonds, the Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract, and, except as set forth in the Official Statement, no consent, authorization or approval of or filing or registration with, any governmental or regulatory office or body not already obtained by the Board is required to be obtained by the Board for its performance thereof.

6. Based on the foregoing opinions, the Bonds constitute valid and binding special obligations of the Board.

7. Except as set forth in the Official Statement, to the best of my knowledge after due investigation, there is no litigation pending (with service of process having been accomplished) or threatened against the Board, to restrain or enjoin the execution or delivery of the Bonds, the Indenture, the Site Leases, the Facility Leases, the Continuing Disclosure Agreement and the Purchase Contract or in any way contesting or affecting the validity thereof or any proceedings of the Board taken with respect to the foregoing.

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 the date hereof. I 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 my attention after the date hereof, and I disclaim any obligation to update this opinion.

Very truly yours,

By: ______________________________
Senior Staff Counsel representing the
State Public Works Board

FORM OF OPINION OF BOND COUNSEL

Bond Counsel will deliver an opinion for the Bonds, which will be substantially in the following form:

[Closing Date]

State Public Works Board of the State of California
Sacramento, California

Re: $__________ State Public Works Board of the State of California Lease Revenue Bonds 2025 Series A (Various Capital Projects)

$_________ State Public Works Board of the State of California Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the State Public Works Board of the State of California (the "Board") of the $__________aggregate principal amount of the Board's Lease Revenue Bonds 2025 Series A (Various Capital Projects) (the "2025A Bonds"), and the $________ aggregate principal amount of the Board's Lease Revenue Bonds (Judicial Council of California) 2025 Series B (Sacramento County Courthouse) (Federally Taxable Bonds) (the "2025B Bonds" and, together with the 2025A Bonds, the "Bonds").

The Bonds are being issued pursuant to an indenture, dated as of April 1, 2025 (the "Indenture") by and between the Board and the Treasurer of the State of California, as Trustee (the "State Treasurer"). The Board and the Department of General Services of the State of California (the "Department of General Services") and the Judicial Council of California (the "Judicial Council" and together with the Department of General Services, the "Departments" and each a "Department") have entered into separate Site Leases, each dated as of April 1, 2025, by and between a Department and the Board (the "Site Leases"). The Bonds are payable, in part, from Base Rental payments made by the Departments pursuant to the terms of separate Facility Leases, each dated as of April 1, 2025, by and between a Department and the Board (the "Facility Leases"). Capitalized terms not defined herein shall have the meanings set forth in the Indenture.

The Bonds are dated their date of delivery, have been issued in fully registered form for the purposes set forth in the Indenture, bear interest from their dated date at the rates described in, and mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in, the Indenture. The description of the Bonds and other statements concerning the terms and conditions of the issuance of the Bonds set forth herein do not purport to set forth all of the terms and conditions of the Bonds or of any other document relating to the issuance of the Bonds, but are intended only to identify the Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Bonds.

In rendering the opinions set forth below, we have examined certified copies of the proceedings of the Board, and other information submitted to us relative to the issuance and sale by the Board of the Bonds. We have examined originals, or copies identified to our satisfaction as being true copies, of the Indenture, the Site Leases, the Facility Leases, the Tax Certificate relating to the 2025A Bonds (the "Tax Certificate"), the resolution of the Board adopted on March 27, 2025 with respect to the Bonds, opinions of counsel to the Departments and the Board, certificates of the Departments, the State Treasurer, the Board and others, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Site Leases, the Facility Leases 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 the interest on the 2025A 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 Indenture, the Site Leases, the Facility Leases and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Bonds, the Indenture, the Site Leases or the Facility Leases, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Site Leases, the Facility Leases and the Indenture, or the accuracy or sufficiency of the description of any such property contained therein.

Our opinion is limited to matters governed by the laws of the State of California and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds constitute the valid and binding special obligations of the Board.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Board. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of such Bonds) held by the State Treasurer in any of the funds and accounts established pursuant to such Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Site Leases and the Facility Leases have been duly authorized and executed by the Board and the Departments and constitute valid and binding agreements of the parties thereto. The obligation of each Department to pay Base Rental during the term of each Facility Lease to which it is a party constitutes a valid and binding obligation of such Department. The Base Rental payable by a Department to the Board under the terms of each Facility Lease to which it is a party, subject to the terms and conditions set forth therein, constitutes the primary source of funds of the Board for payment of the principal of, redemption premium, if any, and interest on the Bonds, and the Base Rental due under each Facility Lease is payable only from the legally available funds of the Department which is a party thereto.

4. The Bonds are not a lien or charge upon the funds or property of the Board except to the extent of the aforementioned pledge under the Indenture. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds are not a debt of the Board or the State of California within the meaning of any constitutional or statutory debt limit or restriction, and the State is not liable for payment thereof.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2025A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the 2025A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations. The foregoing opinion is subject to the condition that the Board and the Departments comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2025A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2025A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2025A Bonds. The Board and the Departments have covenanted to comply with all such requirements.

6. The difference between the issue price of a 2025A Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2025A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2025A Bondholder before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2025A Bondholder will increase the 2025A Bondholder's basis in the applicable 2025A Bond.

7. The amount by which a 2025A Bondholder's original basis for determining loss on sale or exchange in the applicable 2025A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2025A Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2025A Bond premium reduces the 2025A Bondholder's basis in the applicable 2025A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2025A Bond premium may result in a 2025A Bondholder realizing a taxable gain when a 2025A Bond is sold by the holder for an amount equal to or less (under certain circumstances) than the original cost of the 2025A Bond to the holder.

8. Except for certain exceptions, the difference between the issue price of a 2025B Bond (the first price at which a substantial amount of the 2025B Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2025B Bonds (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a 2025B Bondholder will increase the 2025B Bondholder's basis in the applicable 2025B Bond.

9. The amount by which a 2025B Bondholder's original basis for determining gain or loss on sale or exchange of the applicable 2025B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of a 2025B Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the 2025B Bondholder's basis in the applicable 2025B Bond (and the amount of taxable interest received), for

federal income tax purposes. The basis reduction as a result of the amortization of 2025B Bond premium may result in the 2025B Bondholder realizing a taxable gain when a 2025B Bond is sold by the 2025B Bondholder for an amount equal to or less (under certain circumstances) than the original cost of the 2025B Bond to the 2025B Bondholder. The 2025B Bondholders that have a basis in the 2025B Bonds that is greater than the principal amount of the 2025B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

10. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

Except as set forth in paragraphs 5 through 10 above, we express no opinion as to any tax consequences related to the Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular Bondholders. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal tax consequences that may arise due to ownership of the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Site Leases, the Facility Leases, the Tax Certificate relating to the 2025A Bonds and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion herein as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2025A Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial 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. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We express no opinion herein as to the accuracy, completeness, fairness or sufficiency of any of the statements in the Official Statement for the Bonds dated ________, 2025, or any exhibits or appendices thereto or any other offering material relating to the Bonds. In addition, we have not been engaged to review, and therefore express no opinion as to the compliance by the Board or any underwriter with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Bonds.

Respectfully submitted,

APPENDIX G

LETTERS FROM CERTAIN UNDERWRITERS

BofA SECURITIES

March 12, 2025

State of California
Office of the State Treasurer

Attn: Blake Fowler

Re: State Public Works Board 2025 Series A & B Lease Revenue 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.

CC: California State Public Works Board

PIPER | SANDLER

March 10, 2025

Mr. Blake Fowler
Director of Public Finance
Office of the Treasurer of the State of California

**RE: STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA
LEASE REVENUE BONDS
2025 SERIES A (VARIOUS CAPITAL PROJECTS) &
2025 SERIES B (SACRAMENTO COUNTY COURTHOUSE)**

Dear Blake,

Piper Sandler & Co. is providing the following language for inclusion in the Official Statement.

Piper Sandler & Co., one of the Underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with U.S. Bancorp Advisors, LLC ("U.S. Bancorp") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, U.S. Bancorp will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that U.S. Bancorp sells.

Sincerely,

Piper Sandler & Co.

WELLS FARGO

Corporate & Investment Banking
Public Finance

February 19, 2025

Mr. Blake Fowler
Director, Public Finance Division
State Treasurer's Office of the State of California

Re: State Public Works Board of the State of California
Lease Revenue Bonds 2025 Series A & B (the "Bonds")

Dear Mr. Fowler:

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 used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), a member of the National Futures Association, 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.

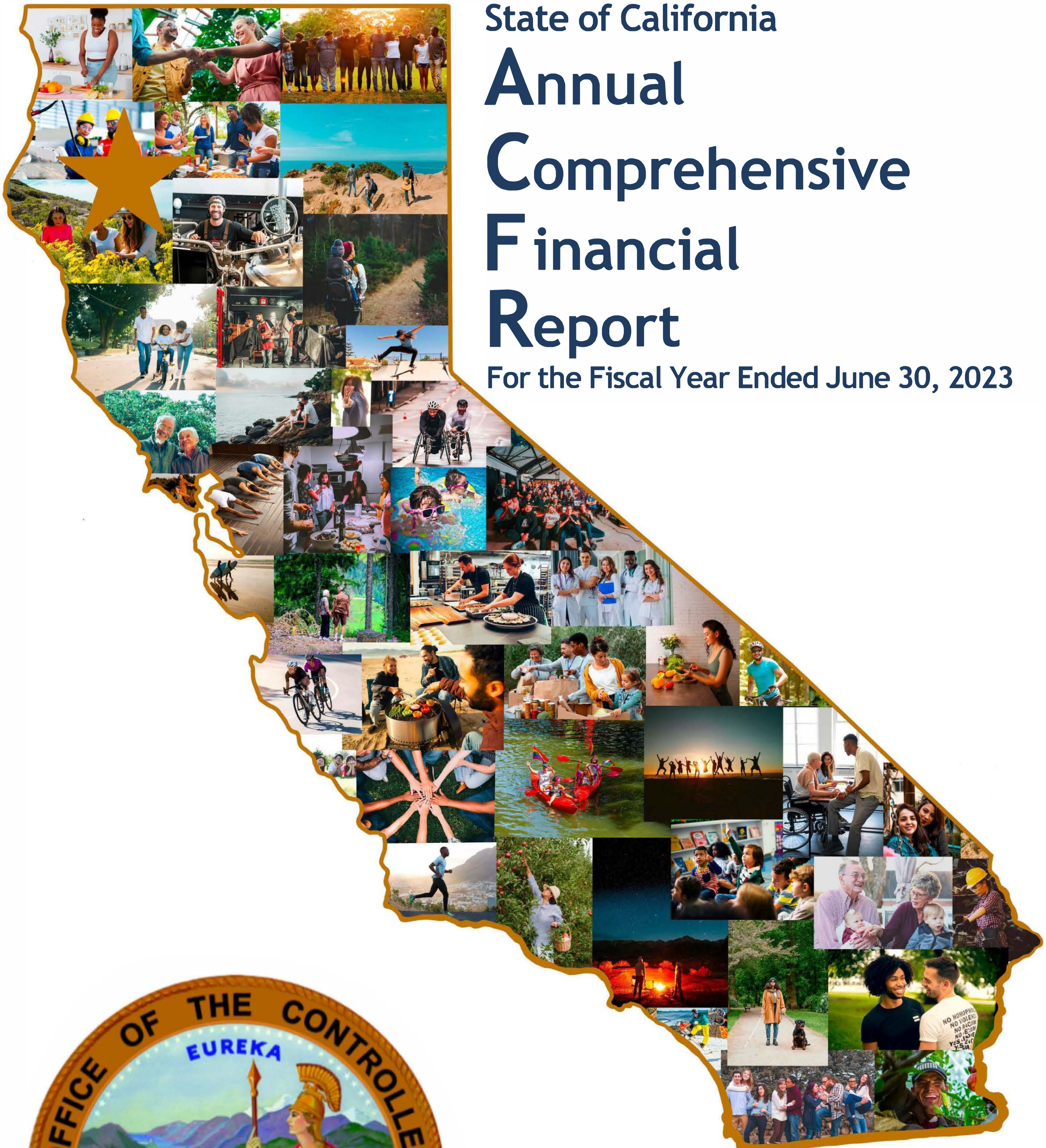
APPENDIX H

AUDITED BASIC FINANCIAL STATEMENTS OF THE STATE OF CALIFORNIA FOR THE YEAR ENDED JUNE 30, 2023

State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



Malia M. Cohen

California State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

Cover designed by Sacramento Artist Matteo Borges

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

December 13, 2024

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

I am pleased to submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with generally accepted accounting principles and contains information to help readers gain a reasonable understanding of California's financial activities and condition. The ability of the State Controller's Office (SCO) to produce this report is dependent upon a number of factors including a partnership with the California Department of Finance and our 203 reporting state entities. While there is no statutory deadline for publishing the ACFR, its completion satisfies several compliance requirements for the State. This ACFR release represents the shortest publication timeline in the SCO's history and is reflective of my commitment to publish the 2024-25 ACFR on time in March of 2026.

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

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

300 Capitol Mall, Suite 1850, Sacramento, CA 95814 | P.O. Box 942850, Sacramento, CA 94250 | Fax: 916.322.4404
sco.ca.gov

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

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

Sincerely,

Original signed by

Malia M. Cohen

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

STATE OF CALIFORNIA

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2023

Prepared by the office of

MALIA M. COHEN
California State Controller

Table of Contents

STATISTICAL SECTION

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Introductory Section

Report Overview

General Overview

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

The California State Auditor has issued a modified opinion on certain components of the State's basic financial statements for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, which warrants additional description:

- An *unmodified opinion* has been issued for the General Fund, Transportation Fund, Environmental and Natural Resources Fund, Health Care Related Programs Fund, Water Resources Fund, State Lottery Fund, California State University Fund, Unemployment Programs Fund, aggregate remaining fund information, business-type activities within the government-wide Statement of Net Position and Statement of Activities, and aggregate discretely presented component units.

- A *modified opinion*, consisting of a qualified opinion, has been issued for the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance of the Federal Fund, and for governmental activities within the government-wide Statement of Net Position and Statement of Activities.

The two modified opinions are the result of the State's inability to provide the California State Auditor with sufficient appropriate audit evidence to conclude that certain accounts in the aforementioned financial statements are free from material misstatement. The modified opinions are the result of ongoing financial accounting and reporting challenges experienced by one state department in administering California's unemployment insurance programs.

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

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the year ended June 30, 2023, and its economic performance as of and for the year ended June 30, 2024, and beyond. The MD&A complements this report overview and should be read in conjunction with it.

Profile of the State of California

The State of California was admitted to the Union on September 9, 1850. The State's population, as of 2023, is estimated to be approximately 39 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and the State Superintendent of Public

Instruction. All officers of the Executive branch are elected to a four-year term. The Legislative branch of government is the State's law-making authority and is made up of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

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

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

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

Overview of the State's Economy

California's economy, the largest among the 50 states, accounted for 13.9% of the U.S. Gross Domestic Product (GDP) in 2023 and continued to rank fifth largest in the world (in terms of GDP) at the end of the year. Sectors of California's diverse economy include technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's GDP totaled $3.8 trillion at fiscal year-end and, as the nation's leader in agricultural production, the state's farming operations generated approximately $55.9 billion in cash receipts for the 2022 crop year. In 2023, California exported $178.7 billion in products; its three largest export markets are Mexico ($33.3 billion), Canada ($19.1 billion), and China ($16.9 billion). California's six largest exports are computer and electronic products, machinery (except electrical), chemicals, transportation equipment, agricultural products, and miscellaneous manufactured commodities. California enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2023, California's travel and

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

Budget Outlook

Fiscal Year 2023-24

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

Fiscal Year 2024-25

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

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

Long-term Financial Planning

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

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

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

- Between March 17, 2022, and July 27, 2023, the Federal Reserve Board increased interest rates by 525 basis points. Since July 27, 2023, the Federal Reserve Board has decreased interest rates by 75 basis points, with the last decrease on November 8, 2024. The net increase in interest rates of 450 basis points will continue to impact the State's future cost of borrowing.
- The 2024 Budget Act reflects the State's commitment to addressing the unfunded pension liabilities over the long term. The Budget includes $337 million in one-time supplemental Proposition 2 debt repayment funding to further reduce the unfunded liabilities of the State's pension plans. Depending on the availability of Proposition 2 funding, an additional $3.0 billion is projected to be paid to CalPERS over the next three fiscal years to fund the State's pension liabilities.
- The State's employee bargaining units and excluded and exempt employees prefund retiree health benefits. As of June 30, 2023, more than $6.8 billion was set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach $10.8 billion in assets by the end of fiscal year 2024-25.
- The 2023 fire season saw a substantial decrease in the number and magnitude of wildfires in the state, with approximately 333,000 acres burned. The 2024 fire season was more significant, with over 1.0 million acres burned. Both years were well below the five-year average of 2.3 million acres burned per year. The 2024-25 Budget Act maintains $2.6 billion in investments over seven years to restore forest and wildland health and reduce risk of future catastrophic wildfires.
- After three consecutive years of drought conditions, California experienced record flooding due to a series of atmospheric river storms during December 2022 and January 2023. The 2024-25 Budget Act maintains $6.7 billion of investments committed in the 2021 and 2022 Budget Acts over multiple years to enhance the state's capacity to withstand droughts and floods.

Principal Officials of the State of California

Executive Branch

Gavin Newsom
Governor

Eleni Kounalakis
Lieutenant Governor

Malia M. Cohen
State Controller

Rob Bonta
Attorney General

Fiona Ma, CPA
State Treasurer

Dr. Shirley N. Weber
Secretary of State

Tony Thurmond
Superintendent of Public Instruction

Ricardo Lara
Insurance Commissioner

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

Legislative Branch

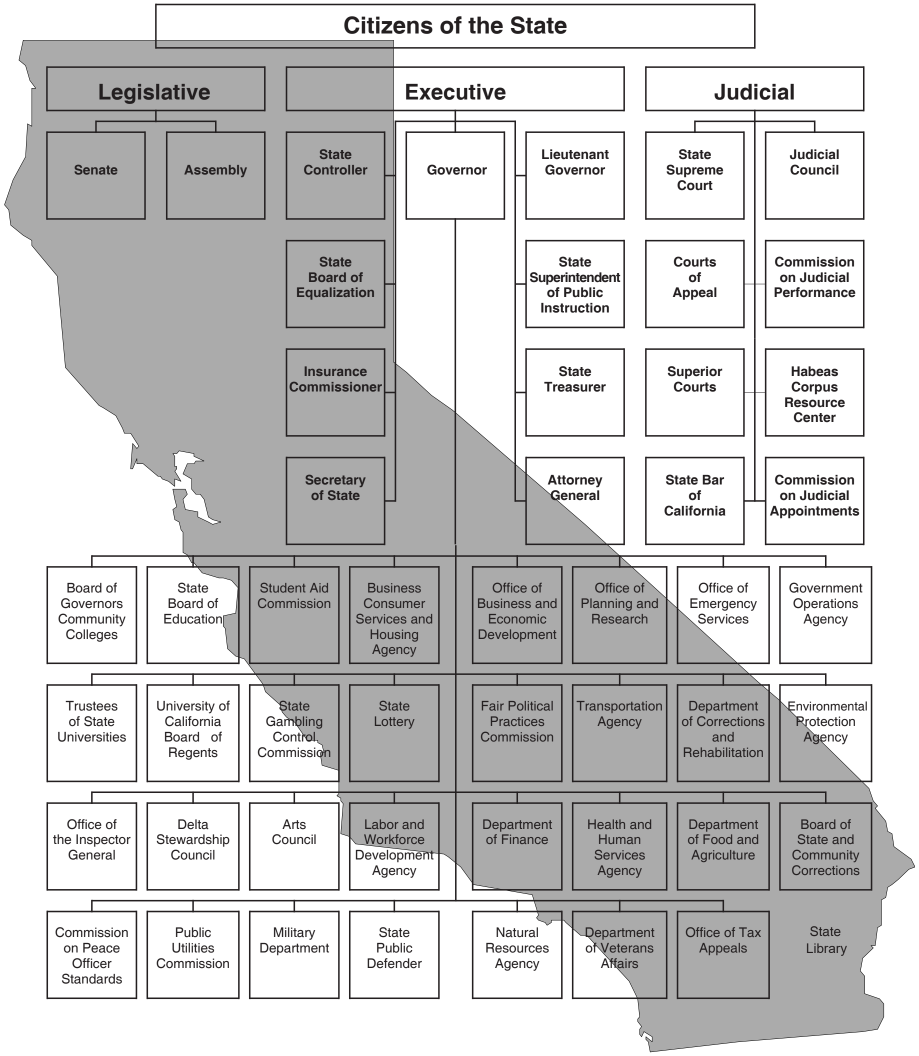
Mike McGuire
President pro Tempore, Senate

Robert Rivas
Speaker of the Assembly

Judicial Branch

Patricia Guerrero
Chief Justice, State Supreme Court

Organization Chart of the State of California



Financial Section

Grant Parks State Auditor
Mike Tilden Chief Deputy

Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Qualified Opinions on Governmental Activities and the Federal Fund

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Governmental Activities and the Federal Fund of the State of California, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each of the Other Opinion Units

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, aggregate discretely presented component units, each major fund except for the Federal Fund, and the aggregate remaining fund information of the State of California, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent 1 percent of the assets and deferred outflows, and less than 1 percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 85 percent of the assets and deferred outflows, and 60 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 92 percent of the assets and deferred outflows, and 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Water Resources, State Lottery, and California State University.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving, the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 87 percent of the assets and deferred outflows, and 52 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.
- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction fund, the State Lottery fund, and the Campus Foundations of the University of California, which represents 14 percent of university's total assets and deferred outflows, and 4 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the State of California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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

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

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of California's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of California's basic financial statements. The combining financial statements and schedules of nonmajor and other funds are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures by us and other auditors, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the combining financial statements and schedules of nonmajor and other funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

CALIFORNIA STATE AUDITOR

Linus Li

LINUS LI, CPA
Deputy State Auditor
Sacramento, California

December 5, 2024

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

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

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

The primary government ended fiscal year 2022-23 with a deficit net position of $37.9 billion, an increase of $7.9 billion (17.2%) from the previous year, as restated. The total deficit net position is reduced by $134.9 billion for net investment in capital assets and by $76.5 billion for restricted net position, yielding a negative unrestricted net position of $249.4 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. Approximately 71.1%, or $177.3 billion, of the negative $249.4 billion unrestricted net position consists of unfunded, employee-related, long-term liabilities (net pension liability, net OPEB liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of $65.9 billion to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

Fund Highlights

Governmental Funds – As of June 30, 2023, the primary government's governmental funds reported a combined ending fund balance of $75.5 billion, a decrease of $1.3 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was $5.0 billion, a decrease of $0.2 billion from the prior fiscal year unrestricted fund balance of $5.2 billion. The nonspendable and restricted fund balances were $4.0 billion and $66.5 billion, respectively.

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

Noncurrent Assets and Liabilities

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

- The *Statement of Net Position* presents all of the State's financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.

- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

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

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public K–12 schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.

- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, selling electric power, and providing wildfire prevention programs. These activities are conducted with minimal financial assistance from the governmental activities or general revenues of the State.

- *Component units* are organizations that are legally separate from the State, but for which the State is financially accountable, or whose relationship with the State is so significant that their exclusion would cause the State's financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State's operations. Fiduciary component units are primarily the resources and operations of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

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

Fund Financial Statements

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

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

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

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.
    - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.

    - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.

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

Discretely Presented Component Units Financial Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Financial Statements and Schedules

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

Government-wide Financial Analysis

Net Position

The primary government's combined deficit net position (governmental and business-type activities improved by $7.9 billion (17.2%), from a negative $45.8 billion, as restated, to a negative $37.9 billion at June 30, 2023. As previously mentioned, the net position at the beginning of fiscal year 2022-23 was restated as a result of the implementation of GASB Statement No. 94, and there were significant restatements to the Federal Fund and Unemployment Programs Fund due to error corrections in accounting for the State's unemployment programs.

The primary government's $134.9 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

The primary government's deficit net position includes another $76.5 billion, which represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. The internally imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2023, the primary government's combined unrestricted deficit net position was $249.4 billion—$218.2 billion for governmental activities and $31.1 billion for business-type activities.

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

Table 1

Net Position – Primary Government – Two-year Comparison
June 30, 2023 and 2022
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
ASSETS						
Current and other assets	$ 247,267	$ 272,237	$ 31,112	$ 30,040	$ 278,379	$ 302,277
Capital assets	154,278	148,939	17,302	16,646	171,580	165,585
Total assets	**401,545**	**421,176**	**48,414**	**46,686**	**449,959**	**467,862**
DEFERRED OUTFLOWS OF RESOURCES	42,404	29,093	6,236	3,778	48,640	32,871
Total assets and deferred outflows of resources	**$ 443,949**	**$ 450,269**	**$ 54,650**	**$ 50,464**	**$ 498,599**	**$ 500,733**
LIABILITIES						
Noncurrent liabilities	$ 257,664	$ 233,183	$ 40,931	$ 39,470	$ 298,595	$ 272,653
Other liabilities	175,453	202,779	22,766	22,722	198,219	225,501
Total liabilities	**433,117**	**435,962**	**63,697**	**62,192**	**496,814**	**498,154**
DEFERRED INFLOWS OF RESOURCES	31,108	49,826	8,621	7,501	39,729	57,327
Total liabilities and deferred inflows of resources	**464,225**	**485,788**	**72,318**	**69,693**	**536,543**	**555,481**
NET POSITION						
Net investment in capital assets	131,322	125,863	3,538	3,341	134,860	129,204
Restricted	66,645	60,482	9,902	10,641	76,547	71,123
Unrestricted	(218,244)	(221,863)	(31,108)	(33,212)	(249,352)	(255,075)
Total net position (deficit)	**(20,277)**	**(35,518)**	**(17,668)**	**(19,230)**	**(37,945)**	**(54,748)**
Total liabilities, deferred inflows of resources, and net position	**$ 443,948**	**$ 450,270**	**$ 54,650**	**$ 50,463**	**$ 498,598**	**$ 500,733**

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

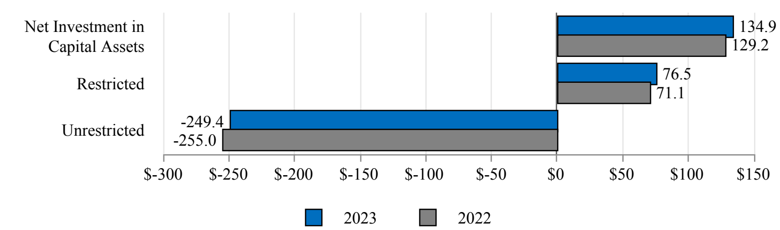
A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation occurs, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2023, the primary government

recognized $177.3 billion (71.1% of the $249.4 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability and compensated absences. In addition, the primary government recognized $65.9 billion in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as net investment in capital assets. Instead, the bonded debt is reported as a noncurrent liability that increases the State's unrestricted deficit net position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

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

Chart 1

Net Position – Primary Government – Two-year Comparison
June 30, 2023 and 2022
(amounts in billions)



Changes in Net Position

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

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

Table 2

Changes in Net Position – Primary Government – Two-year Comparison
Years ended June 30, 2023 and 2022
(amounts in millions)

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

*Restated

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

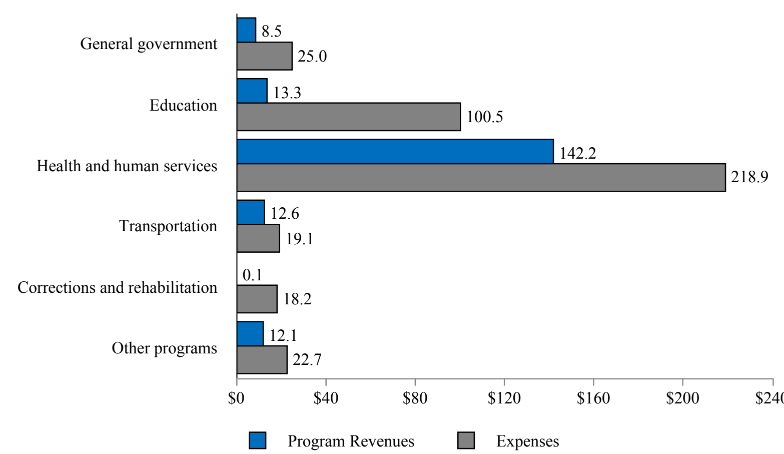
Governmental Activities

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

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

Chart 2

Program Revenues and Expenses – Governmental Activities
Year ended June 30, 2023
(amounts in billions)

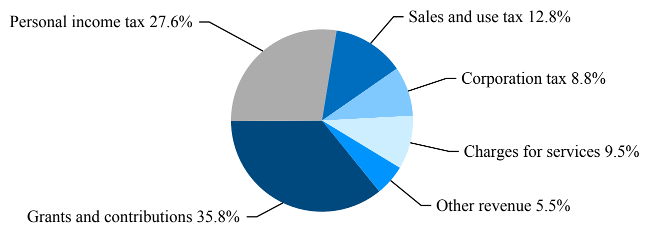


For the fiscal year ended June 30, 2023, total governmental activities' revenue was $416.5 billion, a decrease of 6.1% from the prior year. General revenues decreased by $6.9 billion (2.9%), to $227.7 billion, and program revenues decreased by $19.9 billion (9.5%), to $188.8 billion. Corporation taxes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

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

Chart 3

Revenues by Source
Year ended June 30, 2023
(as a percent)

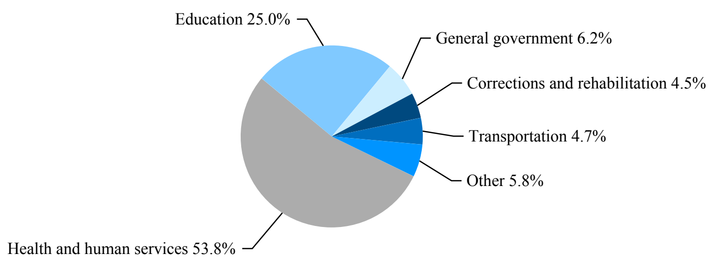


Overall, expenses for governmental activities decreased by $14.7 billion (3.5%) from the prior year. The largest decrease in expenditures, $13.8 billion (35.6%), occurred in general government, and $8.0 billion (7.3%) in education expenditures; these decreases were partially offset by increases in other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

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

Chart 4

Expenses by Program
Year ended June 30, 2023
(as a percent)



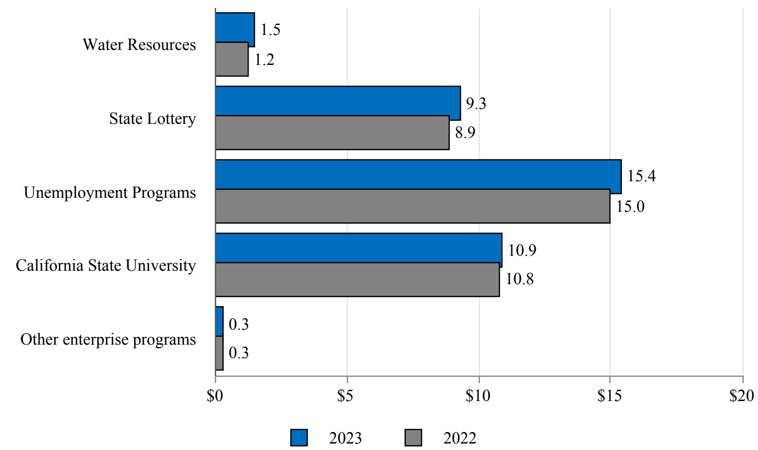
Business-type Activities

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

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

Chart 5

Expenses – Business-type Activities – Two-year Comparison
Years ended June 30, 2023 and 2022
(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds declined in fiscal year 2022-23, with a combined fund balance decrease of $1.3 billion from the prior year's restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs. The State's "Big Three" tax revenues (personal income, sales and use, and corporation) had a combined net decrease during the fiscal year, primarily due to a sharp decline in personal income taxes. The proprietary funds' total net position increased by $2.2 billion during fiscal year 2022-23—comprised of a $1.8 billion increase for enterprise funds, as well as a $443 million increase for internal service funds. The increase in the enterprise funds' net position includes a net position increase of $1.8 billion for the California State University, driven largely by subsidies, and a net position decrease of $230 million in the Unemployment Programs Fund to a deficit balance of $12.1 billion. The deficit net position for Unemployment Programs is due to the programs' inability to confirm eligibility for unemployment benefits claims.

Governmental Funds

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

Within the governmental funds' total fund balance, $4.0 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Another $66.4 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, $20.4 billion of the total fund balance is classified as committed for specific purposes and $20.8 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is a deficit of $36.1 billion — $17.0 billion less than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported $416.3 billion in revenues, $423.1 billion in expenditures, and $5.4 billion in net receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2023, was $75.5 billion, a $1.3 billion decrease from the prior year's restated ending fund balance of $76.8 billion.

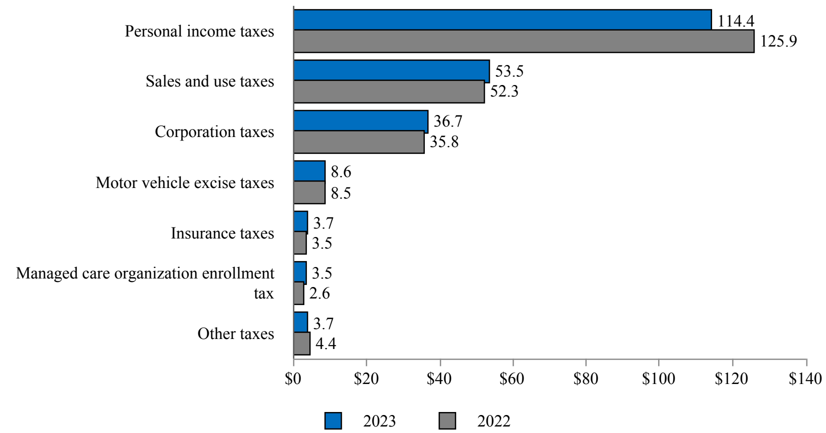
Governmental funds' revenue consists primarily of taxes (53.8%) and intergovernmental revenue (36.4%). Personal income taxes accounted for 51.1% of tax revenues, a decrease of $11.5 billion from the prior fiscal year. Sales and use taxes accounted for 23.9% of tax revenues, an increase of $1.2 billion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

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

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

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison
Years ended June 30, 2023 and 2022
(amounts in billions)



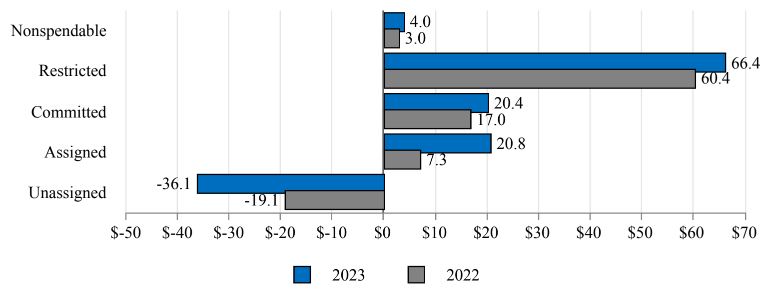
The State's major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund. The General Fund ended the fiscal year with a fund balance of $64.0 billion, a decrease of $9.1 billion from the prior year's fund balance, as restated. The Federal Fund ended the year with a negative fund balance of $45.2 billion, while the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund ended the fiscal year with fund balances of $10.8 billion, $20.7 billion, and $2.0 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of $23.2 billion.

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

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

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison
Years ended June 30, 2023 and 2022
(amounts in billions)



As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, General Fund expenditures exceeded revenues by $1.4 billion $192.4 billion in revenues and $191.0 billion in expenditures). Approximately $182.5 billion (94.8%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($112.7 billion), corporation taxes ($36.7 billion), and the sales and use taxes ($33.1 billion). A total of $494 million in revenue is included in the General Fund as a result of fund classifications made to comply with generally accepted governmental accounting principles. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During fiscal year 2022-23, total General Fund revenue decreased by $6.7 billion (3.4%), mainly due to a decrease in intergovernmental revenue and personal income taxes. Meanwhile, General Fund expenditures increased by $0.1 billion (0.1%). The largest component of the expenditure increase was health and human services, which rose by $13.4 billion. The General Fund ended the fiscal year with a fund balance of $64.0 billion, a decrease of $9.1 billion from the prior year's restated ending fund balance of $73.1 billion. The General Fund's ending fund balance includes $22.3 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, including Medi-Cal and unemployment programs, which accounted for $127.3 billion (85.9%) of the total $148.2 billion in fund expenditures. Education and general government programs also constituted $13.2 billion (8.9%) and $1.3 billion (0.9%) of the fund's expenditures, respectively. The Federal Fund's revenues decreased by $23.3 billion from the prior year, while expenditures and transfers had a combined decrease of

$22.4 billion, resulting in a $291 million improvement over the prior year's restated ending deficit fund balance of $45.5 billion, to a $45.2 billion deficit.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues increased by $1.2 billion (7.4%) and its expenditures increased by $3.5 billion (21.2%) as a result of continued funding under the Road Repair and Accountability Act of 2017 (Senate Bill 1). Other financing sources provided net receipts of $2.7 billion. The Transportation Fund ended the fiscal year with a $10.8 billion fund balance, an increase of $609 million from the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues increased by $112 million (1.2%) over the prior year, due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Expenditures decreased marginally by $52 million (0.6%). Other financing sources provided net receipts of $2.4 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a $20.7 billion fund balance, an increase of $3.0 billion (16.9%) over the prior year.

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

Proprietary Funds

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

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

Total net position for enterprise funds consisted of four segments: net investment in capital assets of \$3.5 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$9.9 billion, and unrestricted net deficit of \$31.1 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of \$29.7 billion, operating expenses of \$34.4 billion, and net revenues from other transactions and transfers of \$6.4 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$15.2 billion in the Unemployment Programs Fund, and lottery ticket sales of \$9.2 billion collected by the State Lottery Fund. Unemployment and disability insurance receipts in the Unemployment Programs Fund were \$1.1 billion (6.6%) less than the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$15.3 billion reported in the Unemployment Programs Fund, personal services expenses of \$6.4 billion reported in the California State University Fund, and lottery prizes of \$6.0 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$1.2 billion as of June 30, 2023. The net position consists of three segments: net investment in capital assets of \$650 million, restricted expendable net position of \$177 million, and unrestricted deficit net position of \$2.0 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: pension and other employee benefit trust funds, private purpose trust funds, investment trust funds, and custodial funds. The pension and other employee benefit trust funds ended the fiscal year with a net position of \$826.2 billion. The private purpose trust funds ended the fiscal year with a net position of \$14.4 billion. The investment trust funds ended the fiscal year with a net position of \$25.8 billion. The custodial fund ended the fiscal year with a net position of \$668 million.

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

General Fund Budget Highlights

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

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

The other general government budget increased as a result of one-time Better for Families Tax Refund program.

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

Table 3

General Fund Original and Final Budgets
Year ended June 30, 2023
(amounts in millions)

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the State's investment in capital assets for its governmental and business-type activities amounted to \$172.0 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2023, the State's capital assets increased by \$6.4 billion, or 3.9% over the prior fiscal year. The majority of the increase is attributed to net additions to buildings and other depreciable property of \$4.0 billion, construction/development in progress of \$1.2 billion, and State highway infrastructure of \$1.0 billion. Additional information on the State's capital assets can be found in Note 6.

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

Table 4

Capital Assets – Primary Government – Two-year Comparison
June 30, 2023 and 2022
(amounts in millions)

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

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

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state bridges and roadways). Under the modified approach, the State does not report depreciation expense for its bridges and roads but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During fiscal year 2022-23, the actual amount spent on preservation was 42.2% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 93.7% of bridge deck area judged to be of fair or better quality and 85.3% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 12,604 bridges and tunnels and 50,607 lane miles.

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

Debt Administration

At June 30, 2023, the State had total bonded debt outstanding of $110.1 billion. Of this amount, $79.4 billion (72.1%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is $4.0 billion and the

long-term portion is $75.4 billion. The remaining $30.7 billion (27.9%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $1.4 billion and the long-term portion is $29.3 billion.

During the fiscal year, the State issued a total of $8.8 billion in new general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes.

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

Table 5

Long-term Obligations – Primary Government – Two-year Comparison
Years ended June 30, 2023 and 2022
(amounts in millions)

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

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

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

During the year ended June 30, 2023, the State's general obligation bonds rating from Fitch Ratings, Standard and Poor's Rating Services, and Moody's Investors Service remained unchanged at "AA", "AA-", and "Aa2", respectively.

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2023

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

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

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

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

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

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

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

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

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

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

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

As a result of the Federal Reserve Board's aggressive hoist of interest rates to tame consumer price increases, California's statewide inflation of 8.3% in 2022 had decreased to 3.1% and 3.3% in 2023 and 2024, respectively. The Federal Reserve Board maintained a steady interest rate after July 2023, and once the national inflation retreated to a target rate of 2.0%, the Board cut its rate by 50 basis points in September 2024. The pause in rate hikes from July 2023 had a stabilizing effect on the statewide housing market, with existing home sales totaling 270,200 units in June 2024, a modest 2.7% decrease from June 2023. The 30-year fixed mortgage interest rate rose slightly, from an average of 6.7% in June 2023, to a 6.9% average in June 2024. As demand for homes outpaced supply, the statewide median home price eclipsed the $900,000 benchmark for the final three months of fiscal year 2023-24, ending at $900,700 in June 2024, an increase of 7.5% from June 2023. The U.S. national median home price increased at a lesser rate of 4.1% during the same period, landing at $432,700 in June 2024. In contrast to the 11.6% rebound in new vehicle registrations experienced in fiscal year 2022-23, the state's automotive industry remained flat in the first six months of 2024, with a 0.7% decrease in new vehicle registrations compared to the same period during the prior year. The decrease in consumer spending on automobiles is mainly attributable to monthly finance and lease costs remaining elevated due to higher interest rates; sales may begin to increase if the Federal Reserve Board continues to cut interest rates into 2025.

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

California's 2023-24 Budget

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

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

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

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

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

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

California's 2024-25 Budget

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

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

Emerging from the COVID-19 pandemic, California experienced significant revenue volatility, seeing unprecedented revenue growth quickly followed by a sharp and deep correction back toward historical trends. In addressing a $46.8 billion deficit, the Budget maintains the multi-year fiscal structure by providing positive balances in the Special Fund for Economic Uncertainties (SFEU), the State's "Rainy Day" fund, for both the 2024-25 and 2025-26 fiscal years. Additionally, the Budget includes commitments to support further budget resilience. Part of the budget agreement reached proposes additional legislation requiring the State to set aside a portion of anticipated surplus funds to be allocated in a subsequent Budget Act, adding further fiscal protection so that the State does not commit future anticipated surplus revenues until those revenues have been realized.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2023
(amounts in thousands)

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

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

(continued)

Statement of Net Position (continued)

June 30, 2023
(amounts in thousands)

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

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Statement of Activities

Year Ended June 30, 2023
(amounts in thousands)

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

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

Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2023

(amounts in thousands)

	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
ASSETS							
Cash and pooled investments	$ 71,968,861	$ 6,986,275	$ 12,218,246	$ 19,745,829	$ 2,886,735	$ 19,553,625	$ 133,359,571
Investments	—	—	—	—	—	1,932,444	1,932,444
Receivables (net)	46,621,774	2,076,598	1,464,551	672,252	7,169,919	1,662,319	59,667,413
Due from other funds	6,933,803	165,231	800,984	325,038	58,803	3,457,675	11,741,534
Due from other governments	4,075,837	37,069,188	4,861	22,441	523,951	119,754	41,816,032
Interfund receivables	3,914,413	—	178,574	1,296,285	154,364	881,119	6,424,755
Loans receivable	45,225	384,293	2,811	763,027	5,086	3,207,097	4,407,539
Other assets	6,244	601,252	12,242	—	—	99,153	718,891
Total assets	**$ 133,566,157**	**$ 47,282,837**	**$ 14,682,269**	**$ 22,824,872**	**$ 10,798,858**	**$ 30,913,186**	**$ 260,068,179**
LIABILITIES							
Accounts payable	$ 14,422,777	$ 24,499,200	$ 1,689,842	$ 625,531	$ 4,275,671	$ 770,940	$ 46,283,961
Due to other funds	3,911,973	3,865,533	315,056	203,266	3,859,353	242,811	12,397,992
Due to component units	264,995	—	6,788	3,548	—	37,089	312,420
Due to other governments	21,808,112	11,125,464	1,057,488	494,304	504,519	5,184,767	40,174,654
Interfund payables	2,692,941	—	642	528,808	—	40,200	3,262,591
Benefits payable	—	69,623	—	—	—	—	69,623
Revenues received in advance	25,891	6,675,956	15,768	242,662	1,206	362,307	7,323,790
Tax overpayments	21,740,974	—	—	—	—	—	21,740,974
Deposits	4,231	—	3,024	235	—	515,832	523,322
Unclaimed property liability	1,314,797	—	—	—	—	—	1,314,797
Other liabilities	522,844	46,256,400	765,191	3,822	—	182,414	47,730,671
Total liabilities	**66,709,535**	**92,492,176**	**3,853,799**	**2,102,176**	**8,640,749**	**7,336,360**	**181,134,795**
DEFERRED INFLOWS OF RESOURCES	2,852,934	10,709	51,748	20,076	122,959	332,599	3,391,025
Total liabilities and deferred inflows of resources	**69,562,469**	**92,502,885**	**3,905,547**	**2,122,252**	**8,763,708**	**7,668,959**	**184,525,820**
FUND BALANCES							
Nonspendable	3,950,919	—	—	—	—	95,021	4,045,940
Restricted	24,830,454	1,210,267	10,727,030	6,860,380	1,476,870	21,362,816	66,467,817
Committed	4,210,891	—	49,692	13,842,240	558,280	1,708,472	20,369,575
Assigned	20,714,283	—	—	—	—	77,937	20,792,220
Unassigned	10,297,141	(46,430,315)	—	—	—	(19)	(36,133,193)
Total fund balances (deficit)	**64,003,688**	**(45,220,048)**	**10,776,722**	**20,702,620**	**2,035,150**	**23,244,227**	**75,542,359**
Total liabilities, deferred inflows of resources, and fund balances	**$ 133,566,157**	**$ 47,282,837**	**$ 14,682,269**	**$ 22,824,872**	**$ 10,798,858**	**$ 30,913,186**	**$ 260,068,179**

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		**$ 75,542,359**
Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:		
• The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land	21,822,423	
State highway infrastructure	83,693,741	
Collections – nondepreciable	21,828	
Buildings and other depreciable property	37,119,583	
Intangible assets – amortizable	6,648,977	
Less: accumulated depreciation/amortization	(19,775,504)	
Construction/development in progress	20,322,927	
Intangible assets – nonamortizable	1,253,757	
		151,107,732
• State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds.		2,605,117
• Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds.		(9,171,277)
• Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		(8,034,927)
• Deferred inflows and outflows of resources related to pension transactions are not reported in the funds.		11,884,611
• Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds.		(88,323)
• General obligation bonds and related accrued interest totaling $71,593,206, revenue bonds totaling $7,521,090, and commercial paper totaling $1,327,110 are not due and payable in the current period and are not reported in the funds.		(80,441,406)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(5,122,966)	
Lease, subscription, and financed purchase liability	(2,411,642)	
Net pension liability	(78,654,519)	
Net other postemployment benefits liability	(65,956,698)	
Mandated cost claims	(1,809,879)	
Workers' compensation	(5,339,431)	
Pollution remediation obligations	(1,830,566)	
Other noncurrent liabilities	(2,554,603)	
		(163,680,304)
Net position of governmental activities		**$ (20,276,418)**

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

(amounts in thousands)

	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
REVENUES							
Personal income taxes	$ 112,736,701	$ —	$ —	$ —	$ —	$ 1,702,918	$ 114,439,619
Sales and use taxes	33,128,145	—	1,429,431	—	—	18,912,155	53,469,731
Corporation taxes	36,662,999	—	—	—	—	—	36,662,999
Motor vehicle excise taxes	156,321	—	8,260,535	100,428	—	136,892	8,654,176
Insurance taxes	3,720,620	—	—	—	—	—	3,720,620
Managed care organization enrollment tax	—	—	—	—	3,478,815	—	3,478,815
Other taxes	682,050	—	—	245,391	—	2,763,401	3,690,842
Intergovernmental	3,200	149,131,716	—	—	1,542,804	820,808	151,498,528
Licenses and permits	7,806	—	5,784,917	480,827	—	4,459,526	10,733,076
Charges for services	420,749	—	131,985	163,849	231	410,714	1,127,528
Fees	16,717	—	2,188,779	3,004,096	5,162,307	4,203,080	14,574,979
Penalties	872,820	16	9,285	75,199	3,964	419,728	1,381,012
Investment and interest	2,435,353	147,166	251,002	392,830	111,325	272,399	3,610,075
Escheat	876,109	—	—	—	—	39,602	915,711
Other	732,591	—	87,983	4,729,833	654,222	2,173,615	8,378,244
Total revenues	**192,452,181**	**149,278,898**	**18,143,917**	**9,192,453**	**10,953,668**	**36,314,838**	**416,335,955**
EXPENDITURES							
Current:							
General government	13,557,086	1,317,833	565,869	283,846	8,610	13,694,620	29,427,864
Education	86,822,520	13,223,519	9,658	5,912	216,152	1,304,286	101,582,047
Health and human services	61,477,274	127,292,302	6,658	57,444	10,936,664	19,232,289	219,002,631
Natural resources and environmental protection	5,906,134	340,744	217,443	6,362,287	299	298,713	13,125,620
Business, consumer services, and housing	1,722,649	1,716,132	113,695	107,307	—	1,984,527	5,644,310
Transportation	656,436	4,245,521	16,798,133	395,728	—	22,410	22,118,228
Corrections and rehabilitation	14,903,847	73,764	—	—	—	2,301,518	17,279,129
Capital outlay	165,706	2,526	121,131	226,654	8,125	381,185	905,327
Debt service:							
Bond, commercial paper, and lease principal retirement	2,922,769	10,836	2,322,167	1,195,345	17,443	3,775,002	10,243,562
Interest and fiscal charges	2,876,197	321	56,900	9,400	11,418	802,387	3,756,623
Total expenditures	**191,010,618**	**148,223,498**	**20,211,654**	**8,643,923**	**11,198,711**	**43,796,937**	**423,085,341**
Excess (deficiency) of revenues over (under) expenditures	1,441,563	1,055,400	(2,067,737)	548,530	(245,043)	(7,482,099)	(6,749,386)
OTHER FINANCING SOURCES (USES)							
General obligation bonds and commercial paper issued	—	—	2,360,075	1,951,405	262,305	2,248,840	6,822,625
Refunding debt issued	—	—	1,416,480	338,735	—	1,946,675	3,701,890
Payment to refund long-term debt	—	—	—	—	—	(37,408)	(37,408)
Premium on bonds issued	223,296	—	154,180	109,864	11,264	180,925	679,529
Proceeds from leases	164,366	2,503	121,131	16,165	8,125	58,441	370,731
Transfers in	889,336	—	25,165	124,039	258,931	7,074,762	8,372,233
Transfers out	(11,827,908)	(766,920)	(1,400,173)	(98,193)	(1,152)	(390,925)	(14,485,271)
Total other financing sources (uses)	**(10,550,910)**	**(764,417)**	**2,676,858**	**2,442,015**	**539,473**	**11,081,310**	**5,424,329**
Net change in fund balances	(9,109,347)	290,983	609,121	2,990,545	294,430	3,599,211	(1,325,057)
Fund balances – beginning	**73,113,035** *	**(45,511,031)** *	**10,167,601**	**17,712,075** *	**1,740,720** *	**19,645,016** *	**76,867,416**
Fund balances (deficits) – ending	**$ 64,003,688**	**$ (45,220,048)**	**$ 10,776,722**	**$ 20,702,620**	**$ 2,035,150**	**$ 23,244,227**	**$ 75,542,359**

* Restated

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

(amounts in thousands)

Net change in fund balances – total governmental funds		**$ (1,325,057)**

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

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

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

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

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 442,658

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

	General Obligation Bonds	Revenue Bonds	Commercial Paper	Total	
Debt issued	(8,590,580)	(218,300)	(1,715,635)	(10,524,515)	
Premium on debt issued	(671,557)	(7,972)	—	(679,529)	
Accreted interest	—	(25,913)	—	(25,913)	
Principal repayments	7,102,962	737,487	1,837,250	9,677,699	
Payments to refund/remarket long-term debt	37,408	—	—	37,408	
Related expenses not reported in governmental funds:					
Premium/discount amortization	506,375	187	—	506,562	
Deferred gain/loss on refunding	17,588	(134,372)	—	(116,784)	
Prepaid insurance	—	—	—	—	
Accrued interest	(5,293)	228	—	(5,065)	
	(1,603,097)	351,345	121,615		(1,130,137)

(continued)

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

Compensated absences	(88,536)	
Lease, subscription, and financed purchase liability	17,282	
Net pension liability	3,580,959	
Net other postemployment benefits liability	1,296,578	
Mandated cost claims	113,089	
Workers' compensation	(483,190)	
Proposition 98 funding guarantee	—	
Pollution remediation obligations	(122,005)	
Other noncurrent liabilities	(141,827)	
		4,172,350

Change in net position of governmental activities	**$ 6,126,171**

(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2023
(amounts in thousands)

	Water Resources	State Lottery	Business-type Activities – Enterprise Funds: Unemployment Programs	California State University	Nonmajor Enterprise	Total	Governmental Activities: Internal Service Funds
ASSETS							
Current assets:							
Cash and pooled investments	$ 792,486	$ 661,696	$ 3,691,745	$ 1,457,611	$ 908,683	$ 7,512,221	$ 3,147,241
Amount on deposit with U.S. Treasury	—	—	475,075	—	—	475,075	—
Investments	—	83,628	—	4,186,312	—	4,269,940	—
Restricted assets:							
Cash and pooled investments	—	—	—	—	875,893	875,893	1,193,575
Due from other governments	—	—	—	—	209,306	209,306	—
Contracts and installments receivable	—	—	—	—	—	—	564,176
Receivables (net)	192,770	777,976	1,312,602	353,423	144,183	2,780,954	106,579
Due from other funds	—	7,391	79,957	2,833	39,781	129,962	836,835
Due from other governments	121,566	—	96,615	—	87,244	305,425	39,064
Prepaid items	—	—	—	83,012	30	83,042	190,202
Inventories	4,945	16,577	—	—	6,332	27,854	103,670
Other current assets	—	7,150	—	—	—	7,150	—
Total current assets	1,111,767	1,554,418	5,655,994	6,083,191	2,271,452	16,676,822	6,181,342
Noncurrent assets:							
Restricted assets:							
Cash and pooled investments	180,533	—	—	—	—	180,533	106,788
Investments	50,709	—	—	—	—	50,709	—
Loans receivable	—	—	—	—	5,259,875	5,259,875	—
Investments	—	562,301	—	3,245,642	11,291	3,819,234	—
Contracts and installments receivable	—	—	—	—	—	—	7,643,992
Receivables (net)	—	—	1,040,204	644,525	—	1,684,729	7,421
Interfund receivables	183,169	—	235,250	—	6,615	425,034	40,856
Loans receivable	6,917	—	7,751	32,526	2,809,555	2,856,749	4,396
Long-term prepaid charges	931,688	9,227	—	—	—	940,915	143
Capital assets:							
Land	210,769	18,798	—	235,231	1,273	466,071	2,080
Collections – nondepreciable	—	—	—	37,312	—	37,312	—
Buildings and other depreciable property	7,423,903	308,981	29,816	14,093,455	26,330	21,882,485	674,584
Intangible assets – amortizable	98,430	24,244	244,118	669,382	25,520	1,061,694	741,357
Less: accumulated depreciation/amortization	(2,770,080)	(168,577)	(97,319)	(5,815,782)	(28,554)	(8,880,312)	(665,709)
Construction/development in progress	1,387,524	—	—	1,210,577	106	2,598,207	2,418,158
Intangible assets – nonamortizable	125,052	—	—	11,844	—	136,896	—
Other noncurrent assets	—	—	—	35,566	8,432	43,998	—
Total noncurrent assets	7,828,614	754,974	1,459,820	14,400,278	8,120,443	32,564,129	10,974,066
Total assets	**8,940,381**	**2,309,392**	**7,115,814**	**20,483,469**	**10,391,895**	**49,240,951**	**17,155,408**
DEFERRED OUTFLOWS OF RESOURCES	414,932	108,494	197,188	5,480,742	34,306	6,235,662	887,052
Total assets and deferred outflows of resources	**$ 9,355,313**	**$ 2,417,886**	**$ 7,313,002**	**$ 25,964,211**	**$ 10,426,201**	**$ 55,476,613**	**$ 18,042,460**

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2023
(amounts in thousands)

	Water Resources	State Lottery	Business Type Activities – Enterprise Funds: Unemployment Programs	California State University	Nonmajor Enterprise	Total	Governmental Activities: Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	$ 150,961	$ 56,270	$ 309,566	$ 397,546	$ 18,049	$ 932,392	$ 494,022
Due to other funds	133,313	596,100	—	—	23,110	752,523	692,019
Due to other governments	354,550	—	17,695,762	—	149	18,050,461	31,761
Revenues received in advance	—	2,739	61,003	444,956	36	508,734	1,609,454
Deposits	—	—	—	—	—	—	1,149
Contracts and notes payable	—	—	—	—	—	—	34,368
Interest payable	9,759	—	—	—	32,887	42,646	97,758
Benefits payable	—	—	343,897	—	—	343,897	—
Current portion of long-term obligations	259,941	956,449	—	472,417	152,139	1,840,946	641,544
Other current liabilities	—	202	106,435	939,753	—	1,046,390	23,814
Total current liabilities	908,524	1,611,760	18,516,663	2,254,672	226,370	23,517,989	3,625,889
Noncurrent liabilities:							
Interfund payables	14,511	3,244	—	34,420	22,152	74,327	3,584,768
Lottery prizes and annuities	—	622,932	—	—	—	622,932	—
Compensated absences payable	32,368	—	95,000	155,859	13,070	296,297	201,302
Workers' compensation benefits payable	—	8,337	—	—	4,378	12,715	50,344
Commercial paper and other borrowings	250,093	—	—	131,183	—	381,276	—
Lease liability	27,551	1,152	—	271,869	18,818	319,390	226,754
Subscription liability	1,253	256	—	29,169	415	31,093	1,342
General obligation bonds payable	35	—	—	—	671,317	671,352	—
Revenue bonds payable	3,168,395	—	—	8,879,457	1,959,641	14,007,493	7,991,925
Net other postemployment benefits liability	585,339	182,078	313,242	13,342,974	30,347	14,453,980	1,403,109
Net pension liability	625,680	164,757	364,482	8,484,855	46,363	9,686,137	1,491,345
Revenues received in advance	—	—	—	30,127	—	30,127	—
Other noncurrent liabilities	109,568	—	—	282,587	25,729	417,884	21,343
Total noncurrent liabilities	4,814,793	982,756	772,724	31,642,500	2,792,230	41,005,003	14,972,232
Total liabilities	**5,723,317**	**2,594,516**	**19,289,387**	**33,897,172**	**3,018,600**	**64,522,992**	**18,598,121**
DEFERRED INFLOWS OF RESOURCES	2,393,647	102,441	115,563	5,962,940	46,607	8,621,198	601,235
Total liabilities and deferred inflows of resources	**8,116,964**	**2,696,957**	**19,404,950**	**39,860,112**	**3,065,207**	**73,144,190**	**19,199,356**
NET POSITION							
Net investment in capital assets	1,150,237	179,672	237,211	1,968,845	2,069	3,538,034	649,606
Restricted:							
Nonexpendable – endowments	—	—	—	1,595	—	1,595	—
Expendable:							
Construction	—	—	—	34,673	—	34,673	177,197
Debt service	88,112	—	—	2,089	500,118	590,319	—
Security for revenue bonds	—	—	—	—	3,097,871	3,097,871	—
Lottery	—	—	—	—	—	—	—
Unemployment programs	—	—	3,483,072	—	—	3,483,072	—
Other purposes	—	—	—	93,741	2,600,631	2,694,372	—
Total expendable	88,112	—	3,483,072	130,503	6,198,620	9,900,307	177,197
Unrestricted	—	(458,743)	(15,812,231)	(15,996,844)	1,160,305	(31,107,513)	(1,983,699)
Total net position (deficit)	**1,238,349**	**(279,071)**	**(12,091,948)**	**(13,895,901)**	**7,360,994**	**(17,667,577)**	**(1,156,896)**
Total liabilities, deferred inflows of resources, and net position	**$ 9,355,313**	**$ 2,417,886**	**$ 7,313,002**	**$ 25,964,211**	**$ 10,426,201**	**$ 55,476,613**	**$ 18,042,460**

(concluded)

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

Proprietary Funds

Year Ended June 30, 2023

(amounts in thousands)

	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	$ —	$ —	$ 15,206,667	$ —	$ —	$ 15,206,667	$ —
Lottery ticket sales	—	9,239,353	—	—	—	9,239,353	—
Power sales	129,898	—	—	—	—	129,898	—
Student tuition and fees	—	—	—	2,319,592	—	2,319,592	—
Services and sales	1,373,766	—	—	813,337	128,631	2,315,734	5,237,640
Investment and interest	—	—	—	—	132,472	132,472	31,378
Rent	—	—	—	—	—	—	330,997
Grants and contracts	—	—	—	82,796	—	82,796	—
Other	—	—	—	306,937	3,028	309,965	—
Total operating revenues	**1,503,664**	**9,239,353**	**15,206,667**	**3,522,662**	**264,131**	**29,736,477**	**5,600,015**
OPERATING EXPENSES							
Lottery prizes	—	5,960,302	—	—	—	5,960,302	—
Power purchases (net of recoverable power costs)	355,582	—	—	—	—	355,582	—
Personal services	494,647	100,872	174,345	6,391,241	38,318	7,199,423	592,592
Supplies	—	19,813	—	2,356,069	61,795	2,437,677	32,078
Services and charges	58,234	911,698	92,467	—	91,845	1,154,244	4,184,626
Depreciation	151,939	15,613	11,870	565,582	3,336	748,340	124,410
Scholarships and fellowships	—	—	—	1,243,155	—	1,243,155	—
Distributions to beneficiaries	—	—	15,254,298	—	—	15,254,298	—
Interest expense	—	—	—	—	32,082	32,082	307,942
Amortization of long-term prepaid charges	—	—	—	—	—	—	38
Other	16,091	—	—	—	8,886	24,977	—
Total operating expenses	**1,076,493**	**7,008,298**	**15,532,980**	**10,556,047**	**236,262**	**34,410,080**	**5,241,686**
Operating income (loss)	427,171	2,231,055	(326,313)	(7,033,385)	27,869	(4,673,603)	358,329
NONOPERATING REVENUES (EXPENSES)							
Donations and grants	—	—	—	2,645,177	151,873	2,797,050	—
Private gifts	—	—	—	73,477	—	73,477	—
Investment and interest income (loss)	27,531	11,167	96,880	298,874	38,424	472,876	3,832
Interest expense and fiscal charges	(88,668)	(26,216)	(559)	(321,905)	(41,764)	(479,112)	(12,424)
Lottery payments for education	—	(2,256,838)	—	—	—	(2,256,838)	—
Other	(294,888)	7	—	82,043	1,766	(211,072)	4,126
Total nonoperating revenues (expenses)	**(356,025)**	**(2,271,880)**	**96,321**	**2,777,666**	**150,299**	**396,381**	**(4,466)**
Income (loss) before capital contributions and transfers	71,146	(40,825)	(229,992)	(4,255,719)	178,168	(4,277,222)	353,863
Gain on early extinguishment of debt	—	—	—	—	—	—	22,783
Transfers in	—	—	—	6,047,026	—	6,047,026	103,421
Transfers out	—	—	—	—	—	—	(37,409)
Change in net position	71,146	(40,825)	(229,992)	1,791,307	178,168	1,769,804	442,658
Total net position (deficit) – beginning	**1,167,203**	**(238,246)**	**(11,861,956)** *	**(15,687,208)**	**7,182,826** *	**(19,437,381)**	**(1,599,554)**
Total net position (deficit) – ending	**$ 1,238,349**	**$ (279,071)**	**$ (12,091,948)**	**$ (13,895,901)**	**$ 7,360,994**	**$ (17,667,577)**	**$ (1,156,896)**

* Restated

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2023

(amounts in thousands)

	Water Resources	State Lottery	Business-type Activities - Enterprise Funds: Unemployment Programs	California State University	Nonmajor Enterprise	Total	Governmental Activities: Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers/employers	$ 1,408,224	$ 9,213,349	$ 14,915,944	$ 3,173,253	$ 282,881	$ 28,993,651	$ 17,771
Receipts from interfund services provided	—	—	93,369	—	107,912	201,281	7,243,571
Payments to suppliers	(407,807)	(349,071)	(50,924)	(2,338,867)	(133,837)	(3,280,506)	(4,191,980)
Payments to power suppliers	(494,647)	—	—	—	—	(494,647)	—
Payments to employees	—	(116,588)	(173,692)	(6,410,485)	(12,710)	(6,713,475)	(927,185)
Payments for interfund services used	—	(14,885)	(17,514)	—	(26,686)	(59,085)	(18,094)
Payments for lottery prizes	—	(6,914,987)	—	—	—	(6,914,987)	—
Claims paid to other than employees	—	(633,207)	(15,314,603)	—	(108,162)	(16,055,972)	—
Other receipts (payments)	(9,921)	956,434	(198,193)	(825,878)	(601,922)	(679,480)	(397,362)
Net cash provided by (used in) operating activities	**495,849**	**2,141,045**	**(745,613)**	**(6,401,977)**	**(492,524)**	**(5,003,220)**	**1,726,721**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Changes in notes receivable and leases receivable	—	—	—	(4,250)	(64)	(4,314)	—
Changes in interfund receivables	—	—	158,683	—	2,916	161,599	(9,183)
Changes in interfund payables and loans payable	—	—	—	(6,982)	496	(6,486)	758,930
Proceeds from general obligation bonds	—	—	—	—	169,568	169,568	—
Retirement of general obligation bonds	—	—	—	—	(29,955)	(29,955)	—
Proceeds from revenue bonds	—	—	—	—	692,470	692,470	—
Retirement of revenue bonds	—	—	—	(28,365)	(124,005)	(152,370)	—
Interest received	—	—	—	16,629	—	16,629	—
Interest paid	—	—	—	(16,076)	(57,454)	(73,530)	(97)
Transfers in	—	—	—	5,589,077	—	5,589,077	999,004
Transfers out	—	—	—	—	—	—	(35,867)
Grants received	—	—	—	2,865,951	148,324	3,014,275	—
Lottery payments for education	—	(2,220,805)	—	—	—	(2,220,805)	—
Other receipts (payments)	—	—	—	—	(49,058)	(49,058)	—
Net cash provided by (used in) noncapital financing activities	**—**	**(2,220,805)**	**158,683**	**8,415,984**	**753,238**	**7,107,100**	**1,712,787**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(390,757)	(2,241)	(528)	(888,471)	(21,266)	(1,303,263)	(2,007,686)
Proceeds from sale of capital assets	—	56	—	18,947	11	19,014	350,758
Proceeds from notes payable and commercial paper	200,664	—	—	—	—	200,664	—
Principal paid on notes payable and commercial paper	(158,514)	—	—	—	—	(158,514)	—
Proceeds from long-term capital financing	—	—	—	—	19,233	19,233	10,206
Payment on long-term capital financing	—	(2,776)	—	(275,635)	(194)	(278,605)	(15,959)
Retirement of general obligation bonds	(85)	—	—	—	—	(85)	—
Proceeds from revenue bonds	99,015	—	—	45,106	—	144,121	886,174
Retirement of revenue bonds	(217,147)	—	—	—	—	(217,147)	(1,294,870)
Interest paid	(80,061)	—	(559)	(318,828)	(76)	(399,524)	(12,322)
Grants received	62,000	—	—	55,496	—	117,496	—
Net cash used in capital and related financing activities	**(484,885)**	**(4,961)**	**(1,087)**	**(1,363,385)**	**(2,292)**	**(1,856,610)**	**(2,083,699)**
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	(100,870)	(44,129)	—	(10,677,078)	—	(10,822,077)	—
Proceeds from maturity and sale of investments	101,987	72,589	5,366	9,412,338	8,271	9,600,551	—
Change in loans receivable	794	—	—	—	—	794	(5)
Earnings on investments	20,174	27,594	96,880	185,075	30,533	360,256	3,744
Net cash provided by (used in) investing activities	**22,085**	**56,054**	**102,246**	**(1,079,665)**	**38,804**	**(860,476)**	**3,739**
Net increase (decrease) in cash and pooled investments	33,049	(28,667)	(485,771)	(429,043)	297,226	(613,206)	1,359,548
Cash and pooled investments – beginning	**939,970**	**690,363**	**4,177,516**	**1,886,654** *	**1,487,350** *	**9,181,853**	**3,088,056**
Cash and pooled investments – ending	**$ 973,019**	**$ 661,696**	**$ 3,691,745**	**$ 1,457,611**	**$ 1,784,576**	**$ 8,568,647**	**$ 4,447,604**

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2023

(amounts in thousands)

	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)	$ 427,171	$ 2,231,055	$ (326,313)	$ (7,033,385)	$ 27,869	$ (4,673,603)	$ 358,329
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	151,939	15,613	11,870	565,582	3,336	748,340	124,410
Provisions and allowances	—	9,111	—	—	1	9,112	—
Amortization of premiums and discounts	—	—	—	—	(1,031)	(1,031)	(124,045)
Amortization of long-term prepaid charges and credits	(118,933)	—	—	—	—	(118,933)	38
Other	—	61	—	(8,851)	(17,004)	(25,794)	9,061
Change in account balances:							
Receivables	(9,921)	(57,052)	(105,575)	(18,364)	(2,779)	(193,691)	(67,096)
Due from other funds	(129,504)	(454)	143,325	3,744	(3,055)	14,056	56,271
Due from other governments	9,293	—	10,190	—	(865)	18,618	4,636
Prepaid items	—	(2,371)	—	752	(9)	(1,628)	580
Inventories	195	634	—	—	(634)	195	(21,891)
Contracts and installments receivable	—	—	—	—	—	—	1,072,166
Leases receivable	—	—	—	—	—	—	(2,289)
Other current assets	—	(2,269)	—	—	1,021	(1,248)	—
Loans receivable	—	—	—	—	(472,200)	(472,200)	—
Deferred outflow of resources	—	—	(109,521)	(1,750,296)	(17,440)	(1,877,257)	(330,455)
Accounts payable	80,025	(37,078)	(6,265)	9,177	(2,740)	43,119	35,552
Due to other funds	73,105	(36,058)	(55,582)	—	(4,031)	(22,566)	375,294
Due to other governments	22,780	—	(169,123)	—	(258)	(146,601)	(29,030)
Deposits	—	—	—	—	—	—	(1,216)
Contracts and notes payable	—	—	—	—	—	—	(100)
Interest payable	—	—	—	—	728	728	(762)
Revenues received in advance	—	140	(185,148)	157,919	(17)	(27,106)	245,431
Other current liabilities	—	(1,897)	(51,148)	(26,381)	(7,374)	(86,800)	6,012
Benefits payable	—	—	(12,497)	16,851	—	4,354	(2)
Lottery prizes and annuities	—	1,594	—	—	—	1,594	—
Compensated absences payable	—	—	4,308	19,029	(258)	23,079	(6,916)
Other noncurrent liabilities	(10,301)	20,016	125,242	816,977	15,518	967,452	174,869
Deferred inflow of resources	—	—	(19,376)	845,269	(11,302)	814,591	(152,126)
Total adjustments	68,678	(90,010)	(419,300)	631,408	(520,393)	(329,617)	1,368,392
Net cash provided by (used in) operating activities	**$ 495,849**	**$ 2,141,045**	**$ (745,613)**	**$ (6,401,977)**	**$ (492,524)**	**$ (5,003,220)**	**$ 1,726,721**
							(concluded)
Noncash investing, capital, and financing activities:							
Long-term debt retirement from bond issuance	$ 149,245	$ —	$ —	$ —	$ —	$ 149,245	$ —
Amortization/defeasance of bond premium and discount	46,996	—	—	—	—	46,996	—
Amortization of deferred loss on refundings	12,648	—	—	—	—	12,648	—
Unrealized loss on investments	—	39,929	—	—	—	39,929	—
Unclaimed lottery prizes directly allocated to another entity	—	51,827	—	—	—	51,827	—
Other miscellaneous noncash transactions	—	44,946	—	—	1,690	46,636	891,366

∗ Restated

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2023

(amounts in thousands)

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

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, 2023

(amounts in thousands)

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

* Restated

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.

Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2023

(amounts in thousands)

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

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

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2023
(amounts in thousands)

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

* Restated

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

Notes to the Financial Statements – Index

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

GASB Statement No. 99, *Omnibus 2022* is effective for the fiscal year ended June 30, 2023. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The practice issues addressed by this Statement are as follows:

a. Clarification of provisions in Statement No. 87, *Leases,* as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

b. Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term, and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

c. Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

The implementation of GASB Statement No. 99 had an insignificant impact to the State's ACFR.

A. Reporting Entity

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

1. Blended Component Units

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

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

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

2. Fiduciary Component Units

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

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

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

3. Discretely Presented Component Units

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

The *University of California* was founded in 1868 as a public, state-supported, land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California (Regents). The University is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the University. The University offers defined benefit pension plans and defined contribution pension plans

to its employees through the University of California Retirement System (UCRS), a fiduciary responsibility of the Regents. The financial information of the UCRS is not included in the financial statements of this report due to its fiduciary nature. The University's financial statements may be found on its website at www.ucop.edu.

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

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

The nonmajor consolidated component unit segments are:

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

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

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;
- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and
- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural associations' financial report is as of and for the year ended December 31, 2022).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law*, which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;

- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation*, which provides financial assistance to small business; and
- The *Public Employees' Contingency Reserve*, which provides health benefit plans for state employees and annuitants.

4. Joint Venture

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

The State participates in a joint venture called the *Capitol Area Development Authority (CADA)*. CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city; it is administered by a board composed of five members—two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2023, CADA had total assets and deferred outflows of resources of $81.2 million, total liabilities and deferred inflows of resources of $53.8 million, and total net position of $27.4 million. Total revenues for the fiscal year were $17.9 million and expenses were $12.4 million, resulting in an increase in net position of $5.5 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on CADA's website at www.cadanet.org.

5. Jointly Governed Organization

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

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

6. Related Organizations

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

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

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

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

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

The *California Pollution Control Financing Authority (CPCFA)* was created through the California Pollution Control Financing Authority Act of 1972. The CPCFA is a legally separate entity that provides financing for pollution control facilities. A three-member board composed of state-elected officials and an appointee governs the CPCFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CPCFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CPCFA, go to its website at www.treasurer.ca.gov/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 *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for transportation purposes, including highway and passenger rail construction and transportation safety programs.

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

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

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

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

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

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

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

The State reports the following major enterprise funds:

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

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

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

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

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

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

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

The State has the following four fiduciary fund types:

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

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

2. Fund Financial Statements

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

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

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

The accounts of the proprietary fund types and fiduciary fund types are reported using the accrual basis of accounting. Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed. Lottery revenue and the related prize expenses are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

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

D. Cash and Investments

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

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

E. Receivables

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

F. Inventories

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

G. Long-term Prepaid Charges

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

H. Capital Assets and Right-to-Use Assets

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

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

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

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

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

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

The State is a lessee for various noncancelable leases of land, buildings, equipment. For leases that meet the capitalization threshold of $100,000 or greater in total payments over the lease term, the State recognizes right-to-use lease assets at the commencement of a lease. Right-to-use lease assets represent the State's right to use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset, ranging from two to 50 years, using the straight-line method. Leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement are expended or expensed as incurred.

The State has noncancelable SBITAs for the right to use information technology (IT) arrangements. For SBITAs that meet the capitalization threshold of $50,000 or greater in total payments over the subscription term, the State recognizes right-to-use SBITA assets at the commencement of a SBITA. Right-to-use SBITA assets represent the State's right to use underlying IT assets for the subscription term. The right-to-use SBITA asset is measured at the initial value of the subscription liability, plus any subscription payments made to the SBITA vendor before commencement of the subscription term and capitalizable implementation costs, less any vendor incentive received at or before the SBITA commencement date. The right-to-use SBITA asset is amortized over the shorter of the subscription term or useful life of the underlying IT assets, ranging from two to 10 years, using the straight-line method. SBITAs below the capitalization threshold and SBITAs with a maximum possible term of 12 months or less at commencement are 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, certificates of participation, commercial paper, net pension liability, net other postemployment benefits liability, employees' compensated absences and workers' compensation claims, pollution remediation obligations, asset retirement obligations, amounts owed for lawsuits, reimbursement for costs mandated by the State, outstanding Proposition 98 funding guarantee owed to schools, the liability for lottery prizes and annuities, loans from other governments, and the primary government's share of the University of California's pension liability that is due in more than one year. In the government-wide financial statements, the obligations are reported as liabilities in the applicable governmental activities, business-type activities, and component units columns of the Statement of Net Position. The current

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

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

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

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

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

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

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

J. Compensated Absences

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

K. Deferred Outflows and Deferred Inflows of Resources

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

1. Deferred Outflows of Resources

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

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Decrease in Fair Value of Hedging Derivative Instruments*: Negative changes in the fair value of hedging derivative instruments are reported for component units.

- *Net Pension Liability*: Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Net Other Postemployment Benefits (OPEB) Liability:* Increases in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred outflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized as OPEB expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on OPEB plan investments exceed actual earnings, with the net difference amortized to OPEB expense over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to OPEB and reduce net OPEB liability in the following year. Deferred outflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Asset Retirement Obligations:* Increases in asset retirement obligations that are not recognized as expense in the current reporting period are reported as deferred outflows of resources for component units.

2. Deferred Inflows of Resources

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

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

- *Unavailable Revenues*: Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.

- *Gain on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

- *Irrevocable Split-Interest Agreements*: The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.

- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Net Other Postemployment Benefits Liability*: Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five- year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

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

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

L. Nonmajor Enterprise Segment Information

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

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

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

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

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

M. Net Position and Fund Balance

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

1. Net Position

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

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

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2023, the government-wide financial statements show restricted net position for the primary government of $76.5 billion, of which $19.2 billion is due to enabling legislation.

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

2. Fund Balance

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

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

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

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

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

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

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

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

3. Stabilization Arrangements

a. Budget Stabilization Account

In accordance with Article 16, Section 20 of the California State Constitution, the State maintains the Budget Stabilization Account. The Budget Stabilization Account is reported in the General Fund. By

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

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

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2023, the Budget Stabilization Account had a restricted fund balance of $22.3 billion.

b. Special Fund for Economic Uncertainties

State law established the Special Fund for Economic Uncertainties (SFEU) as a contingency reserve to help the State meet its General Fund obligations in the event of declining revenues or unanticipated expenditures. A control section of the State's Budget Act establishes the annual reserve balance of the SFEU, but that amount would be reduced if certain constitutionally defined excess revenue limits are met during the fiscal year. In addition, SFEU funds may be set aside in a separate account and committed for disaster response operation costs incurred by state agencies as a result of a proclamation of a state of emergency by the Governor. The SFEU is a discretionary budget reserve and is available without additional legislative action to meet the cash needs of the General Fund and to eliminate any General Fund deficit at the end of a fiscal year. The SFEU is reported in the General Fund, and at June 30, 2023, the SFEU represented $3.3 billion of the unassigned balance of the General Fund.

c. Public School System Stabilization Account

State law established the Public School System Stabilization Account (PSSSA) as a reserve specifically for schools and community colleges. The State deposits Proposition 98 funding into this reserve when it receives high levels of capital gains revenue and the minimum guarantee is growing relatively quickly, and will withdraw funding from the reserve under certain conditions—generally when the guarantee is growing slowly relative to inflation and student attendance. If the Governor declares a budget emergency, the Legislature can make discretionary withdrawals. At June 30, 2023, the PSSSA represented $9.5 billion of cash reported in the General Fund, $8.4 billion of which was due to other governments. Accordingly, the PSSSA reported no fund balance as of June 30, 2023.

N. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

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

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

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

The beginning net position of *discretely presented component units* increased by $2 million. The restatement is comprised of a $10 million increase for the University of California due to the implementation of GASB Statement No. 96 and an $8 million decrease in the beginning net position of a nonmajor discretely presented component unit to reflect the implementation of new accounting standards and corrections of accounting errors. Further information related to the University's restatement is included in its separately issued financial statements, which can be obtained from its website at www.ucop.edu.

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

2. Government-wide Financial Statements

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

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

O. Guaranty Deposits

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

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

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

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2023, increased the spending authority for the budgetary/legal basis-reported General Fund, Transportation Funds, Environmental and Natural Resources Funds, and the Health Care Related Programs Funds.

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

B. Legal Compliance

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

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

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

A. Primary Government

1. Control of State Funds

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2023, these discretely presented component units and related organizations account for approximately 1.91% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

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

Demand and time deposits held by financial institutions as of June 30, 2023, totaling approximately $6.6 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2023, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $19 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

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

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the $2.3 billion in interest revenue received by the General Fund from the pooled investment program in the fiscal year 2022-23 was earned on balances in these funds.

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

2. Valuation of State Investments

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

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

Table 1

Schedule of Investments – Primary Government – Investments by Fair Value Level
June 30, 2023
(amounts in thousands)

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

[1] Reported at carrying value

As of June 30, 2023, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 263 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

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

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2023, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

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

As of June 30, 2023, structured notes and medium-term asset-backed securities comprised approximately 1.52% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.35% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICs), are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.39% of the pooled investments.

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

Table 2

Authorized Investments

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury securities	5 years	N/A	N/A	N/A
Federal agency and supranational securities	5 years	N/A	N/A	N/A
Certificates of deposit	5 years	N/A	N/A	N/A
Bankers' acceptances	180 days	N/A	N/A	N/A
Commercial paper	270 days	30%	10% of issuer's outstanding Commercial paper	A-2/P-2/F-2
Corporate bonds/notes	5 years	N/A	N/A	A-/A3/A-
Repurchase agreements	1 year	N/A	N/A	N/A
Reverse repurchase agreements	1 year	10%	N/A	N/A

4. Risk of Investments

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

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

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

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

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

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

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include $5.1 billion of time deposits and $359 million of internal loans to state funds. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2023, only $3 million, or less than 0.01% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2023
(amounts in thousands)

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

[1] Reported at carrying value

b. Credit Risk

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

Table 4

Schedule of Investments in Debt Securities – Primary Government – Credit Risk
June 30, 2023
(amounts in thousands)

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

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2023, there were no guaranteed investment contracts.

d. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2023, the State had investments in the Federal Home Loan Bank totaling 8.9% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

The fiduciary funds include investment and pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 96.07% of these separately invested funds. CalPERS and CalSTRS exercise their authority under the State Constitution and invest in stocks, bonds, mortgages, real estate, and other investments, including derivative instruments.

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

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 92.71% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

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

NOTE 4: ACCOUNTS RECEIVABLE

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

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

Table 5

Schedule of Accounts Receivable
June 30, 2023
(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers	Unemployment Programs	California State University	Other	Total
Current governmental activities							
General Fund	$ 44,236,614	$ 99	$ —	$ 678,855	$ —	$ 1,706,206	$ 46,621,774
Federal Fund	—	—	—	—	—	2,076,598	2,076,598
Transportation Fund	936,487	388,108	—	—	—	139,956	1,464,551
Environmental and Natural Resources Fund	30,017	484,956	—	—	—	157,279	672,252
Health Care Related Programs Fund	2,050,768	4,983,145	—	—	—	136,006	7,169,919
Nonmajor governmental funds	767,990	463,113	—	—	—	431,216	1,662,319
Internal service funds	—	—	—	—	—	114,000	114,000
Adjustment:							
Unavailable revenue[1]	(2,118,205)	(10,462)	—	(250,238)	—	(226,212)	(2,605,117)
Leases receivable	—	—	—	—	—	(144,852)	(144,852)
Total current governmental activities	**$ 45,903,671**	**$ 6,308,959**	**$ —**	**$ 428,617**	**$ —**	**$ 4,390,197**	**$ 57,031,444**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 2,118,205**	**$ 10,462**	**$ —**	**$ 250,238**	**$ —**	**$ 371,066**	**$ 2,749,971**
Current business-type activities							
Water Resources Fund	—	—	—	—	—	192,770	192,770
State Lottery Fund	—	—	777,976	—	—	—	777,976
Unemployment Programs Fund	—	—	—	1,312,602	—	—	1,312,602
California State University	—	—	—	—	353,423	—	353,423
Nonmajor enterprise funds	—	—	—	—	—	144,183	144,183
Total current business-type activities	**$ —**	**$ —**	**$ 777,976**	**$ 1,312,602**	**$ 353,423**	**$ 336,953**	**$ 2,780,954**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ —**	**$ —**	**$ —**	**$ 1,040,204**	**$ 644,525**	**$ —**	**$ 1,684,729**

[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 5: RESTRICTED ASSETS

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

Table 6

Schedule of Restricted Assets
June 30, 2023
(amounts in thousands)

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

NOTE 6: CAPITAL ASSETS

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

Table 7

Schedule of Changes in Capital Assets – Primary Government
June 30, 2023
(amounts in thousands)

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

*Restated

(continued)

Table 7 (continued)

Schedule of Changes in Capital Assets – Primary Government (continued)
June 30, 2023
(amounts in thousands)

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

* Restated

(concluded)

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

Table 8

Schedule of Depreciation and Amortization Expense – Primary Government
June 30, 2023
(amounts in thousands)

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

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

Table 9

Schedule of Changes in Capital Assets – Discretely Presented Component Units
June 30, 2023
(amounts in thousands)

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

* Restated

NOTE 7: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $3.4 billion. This amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 10 shows the detail of the deferred outflows of resources and deferred inflows of resources reported in the government-wide Statement of Net Position. For descriptions of the deferred outflows and deferred inflows of resources transactions, see Note 1.K.

Table 10

Schedule of Deferred Outflows and Deferred Inflows of Resources
June 30, 2023
(amounts in thousands)

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

NOTE 8: ACCOUNTS PAYABLE

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

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

Table 11

Schedule of Accounts Payable
June 30, 2023
(amounts in thousands)

	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	Transportation	Other	Total
Governmental activities							
General Fund	$ 1,985,915	$ 850,707	$ 10,469,907	$ 417,795	$ 8,950	$ 689,503	$ 14,422,777
Federal Fund	334,669	223,475	23,645,179	85,057	139,601	71,219	24,499,200
Transportation Fund	12,229	6,793	396	5,960	1,662,068	2,396	1,689,842
Environmental and Natural Resources Fund	2,862	3,420	56	517,257	89,379	12,557	625,531
Health Care Related Programs Fund	—	867	4,274,804	—	—	—	4,275,671
Nonmajor governmental funds	450,813	22,705	127,417	23,773	310	145,922	770,940
Internal service funds	260,243	149	190,002	30,556	—	13,072	494,022
Adjustment:							
Fiduciary funds	1,081,633	—	—	—	50,923	1,578	1,134,134
Total governmental activities	**$ 4,128,364**	**$ 1,108,116**	**$ 38,707,761**	**$ 1,080,398**	**$ 1,951,231**	**$ 936,247**	**$ 47,912,117**
Business-type activities							
Water Resources Fund	$ —	$ —	$ —	$ 150,961	$ —	$ —	$ 150,961
State Lottery Fund	56,270	—	—	—	—	—	56,270
Unemployment Programs Fund	—	—	309,566	—	—	—	309,566
California State University	—	397,546	—	—	—	—	397,546
Nonmajor enterprise funds	189	807	270	14,257	—	2,526	18,049
Adjustment:							
Fiduciary funds	—	—	—	—	—	68	68
Total business-type activities	**$ 56,459**	**$ 398,353**	**$ 309,836**	**$ 165,218**	**$ —**	**$ 2,594**	**$ 932,460**

NOTE 9: LONG-TERM OBLIGATIONS

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

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

As of June 30, 2023, pollution remediation obligations increased by $121 million from the prior fiscal year-end, to $1.8 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant Superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2023, the State estimates that remediation costs at Stringfellow will total $577 million. At BKK Landfill in Los Angeles County, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

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

The State receives a share of net profits generated by the operations of the Wilmington Oil Field. Various unit and production agreements control the character of the oil operations, including the liability associated with the future abandonment of the oil and gas wells and facilities. The State's share of the liability is apportioned based on its net profit interest, among other factors. The State retains a large majority of the total abandonment liability at the end of oil operations. As of June 30, 2023, the State estimates that the oil field abandonment liability is $1.0 billion, and the State has reserves of $300 million in the Environmental and Natural Resources Fund (a special revenue fund) to liquidate future oil field abandonment costs.

The other long-term obligations for governmental activities consist of Water Resources Revolving Fund notes payable of $26 million, availability payment arrangements of $1.0 billion, lessee-type financed

purchases of $23 million, Technology Services Revolving Fund notes payable of $28 million and a Transportation Fund performance obligation of $512 million. The net pension liability, net OPEB liability, compensated absences, and availability payment arrangements will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Overall, business-type activities experienced a net increase in long-term obligations of $1.4 billion. Significant increases included $3.4 billion in net pension liability offset by a decrease of $2.5 billion in net OPEB liability. Increases to business-type activities included a $95 million restatement to the beginning subscription liability due to the implementation of GASB Statement No. 96.

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

Table 12

Schedule of Changes in Long-term Obligations
(amounts in thousands)

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year	Noncurrent Liabilities
Governmental activities						
Loans payable adjustment for fiduciary funds	$ 40,323	$ —	$ 9,282	$ 31,041	$ —	$ 31,041
Compensated absences payable	5,245,333	1,802,081	1,720,461	5,326,953	15,544	5,311,409
Workers' compensation benefits payable	5,457,692	1,244,814	678,374	6,024,132	634,357	5,389,775
Commercial paper and other borrowings	1,448,725	1,715,635	1,837,250	1,327,110	—	1,327,110
Lease liability	2,659,291 *	353,977	499,393	2,513,875	451,739	2,062,136
Subscription liability	160,866 *	78,144	102,547	136,463	83,327	53,136
General obligation bonds outstanding	69,215,805	8,590,580	7,140,310	70,666,075	3,453,370	67,212,705
Premiums	8,130,325	671,556	774,859	8,027,022	526,259	7,500,763
Total general obligation bonds payable	77,346,130	9,262,136	7,915,169	78,693,097	3,979,629	74,713,468
Revenue bonds outstanding	15,616,571	979,615	2,032,357	14,563,829	702,726	13,861,103
Accreted interest	739,587	25,913	—	765,500	—	765,500
Premiums	802,019	132,831	165,541	769,309	117,417	651,892
Discounts	(786)	—	(60)	(726)	(94)	(632)
Total revenue bonds payable	17,157,391	1,138,359	2,197,838	16,097,912	820,049	15,277,863
Mandated cost claims payable	1,976,349	195,509	212,625	1,959,233	149,354	1,809,879
Net other postemployment benefits liability	77,369,354	10,368,411	20,377,958	67,359,807	—	67,359,807
Net pension liability	47,920,644	49,721,423	17,496,203	80,145,864	—	80,145,864
Other long-term obligations:						
Lessee-type financed purchases and availability payment arrangements	1,055,776 *	—	29,053	1,026,723	30,008	996,715
Oil field abandonment liability	939,660	106,660	—	1,046,320	—	1,046,320
Pollution remediation obligations	1,709,747 *	274,411	152,979	1,831,179	65,981	1,765,198
Other	535,643 *	180,809	150,524	565,928	191,206	374,722
Total other long-term obligations	4,240,826	561,880	332,556	4,470,150	287,195	4,182,955
Total governmental activities	**$ 241,022,924**	**$ 76,442,369**	**$ 53,379,656**	**$ 264,085,637**	**$ 6,421,194**	**$ 257,664,443**
Business-type activities						
Lottery prizes and annuities	$ 1,587,437	$ 6,942,799	$ 6,966,815	$ 1,563,421	$ 940,489	$ 622,932
Compensated absences payable	456,058	156,683	138,138	474,603	178,306	296,297
Workers' compensation benefits payable	14,535	—	1,820	12,715	—	12,715
Commercial paper and other borrowings	323,313	253,353	174,862	401,804	20,528	381,276
Lease liability	332,851 *	66,350	40,753	358,448	39,058	319,390
Subscription liability	95,145 *	23,599	51,940	66,804	35,711	31,093
General obligation bonds outstanding	525,695	167,130	30,040	662,785	4,010	658,775
Premiums	11,237	2,867	1,017	13,087	—	13,087
Discounts	(580)	—	(70)	(510)	—	(510)
Total general obligation bonds payable	536,352	169,997	30,987	675,362	4,010	671,352
Revenue bonds outstanding	13,248,995	881,955	699,840	13,431,110	576,360	12,854,750
Premiums	1,172,848	101,913	100,052	1,174,709	21,660	1,153,049
Discounts	(342)	—	(36)	(306)	—	(306)
Total revenue bonds payable	14,421,501	983,868	799,856	14,605,513	598,020	14,007,493
Net other postemployment benefits liability	16,913,829	2,268,972	4,728,821	14,453,980	—	14,453,980
Net pension liability	6,248,484	5,863,365	2,425,712	9,686,137	—	9,686,137
Other long-term obligations	405,773	121,783	54,720	472,836	24,825	448,011
Total business-type activities	**$ 41,335,278**	**$ 16,850,769**	**$ 15,414,424**	**$ 42,771,623**	**$ 1,840,947**	**$ 40,930,676**

* Restated

NOTE 10: PENSION TRUSTS

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

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

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

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

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

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

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

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

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

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

A. California Public Employees' Retirement System

1. Public Employees' Retirement Fund (PERF)

***Plan Description*:** The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2022, included the primary government and certain discretely presented component units; 1,335 school employers, including charter schools; and 1,601 public agencies. As the State is not an employer in PERF B or PERF C, the term PERF is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

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

***Benefits Provided*:** All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2021 Actuarial Valuation Report, which may be found on the CalPERS website at www.CalPERS.ca.gov. In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

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

The four basic types of retirement are:

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

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

***Employees Covered by Benefit Terms*:** The State's June 30, 2022 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 13 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 13

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2022

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

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

Table 14 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2022.

Table 14

Contribution Rates – PERF Plans
June 30, 2022

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

***Actuarial Methods and Assumptions*:** The total pension liability for PERF plans was measured as of June 30, 2022 (measurement date), by rolling forward the total pension liability determined by the June 30, 2021 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 15.

Table 15

Actuarial Methods and Assumptions – PERF Plans

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

***Discount Rate*:** The discount rate used to measure the total pension liability was 6.90% for the PERF. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at actuarially determined statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in the GASB Crossover Testing Report, which may be found on CalPERS' website at www.CalPERS.ca.gov

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

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

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

Table 16

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

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

[1] An expected inflation rate of 2.30% used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

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

Table 17

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

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

	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**
Balance at June 30, 2021	$ 15,981,838	$ 14,951,368 *	$ 1,030,470	$ 55,399,417	$ 46,175,077 *	$ 9,224,340
Changes recognized for the measurement period:						
Service cost	574,216	—	574,216	1,167,715	—	1,167,715
Interest on total pension liability	1,110,294	—	1,110,294	3,864,043	—	3,864,043
Changes of assumptions	455,219	—	455,219	2,190,080	—	2,190,080
Difference between expected and actual experience	(238,531)	—	(238,531)	(805,030)	—	(805,030)
Plan to plan resource movement	—	950	(950)	—	1,076	(1,076)
Employer contributions	—	561,227	(561,227)	—	2,171,675	(2,171,675)
Employee contributions	—	244,938	(244,938)	—	477,347	(477,347)
Net investment income	—	(1,131,785)	1,131,785	—	(3,524,277)	3,524,277
Benefit payments, including refunds of employee contributions	(788,819)	(788,819)	—	(2,735,400)	(2,735,400)	—
Administrative expense	—	(9,314)	9,314	—	(28,764)	28,764
Net changes	**1,112,379**	**(1,122,803)**	**2,235,182**	**3,681,408**	**(3,638,343)**	**7,319,751**
Balance at June 30, 2022 (Measurement Date)	**$ 17,094,217**	**$ 13,828,565**	**$ 3,265,652**	**$ 59,080,825**	**$ 42,536,734**	**$ 16,544,091**

*Restated

(continued)

Table 17 (continued)

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

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

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

(concluded)

[1] Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2022; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

*Restated

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Table 18 shows the net pension liability of the State, with regard to the PERF plans, calculated using the discount rate of 6.90%, as well as what the State's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans
June 30, 2023
(amounts in thousands)

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

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

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the PERF plans, for the fiscal year ended June 30, 2023, the State recognized pension expense of $9.0 billion. At June 30, 2023, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2022, but prior to the fiscal year ended June 30, 2023. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows and inflows of resources. The aggregate differences (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred outflows of resources. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

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

Table 19

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – PERF Plans
June 30, 2023
(amounts in thousands)

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

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

Table 20

Recognition of Deferred Outflows and Deferred Inflows of Resources – PERF Plans
(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
2024	$ 1,810,556	$ 75,210	$ 196,174	$ 936,010	$ 287,600	**$ 3,305,550**
2025	1,520,068	63,941	151,497	756,730	249,672	**2,741,908**
2026	1,019,304	29,127	103,621	564,951	181,566	**1,898,569**
2027	3,180,148	143,143	442,925	1,546,899	402,303	**5,715,418**

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

2. Single-employer Plans

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

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

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

Legislators' – Legislators' was established in 1947; its members consist of state legislators, constitutional officers, and legislative statutory officers. The 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 four basic types of retirement are:

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

Judges' *II* – The four basic types of retirement are:

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

Legislators' – The three basic types of retirement are:

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

Employees Covered by Benefit Terms**:** The June 30, 2022 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 21 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 21

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2022

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,647	444	189	**2,280**
Inactive employees entitled to but not yet receiving benefits	2	3	3	**8**
Active employees	99	1,625	2	**1,726**
Total	**1,748**	**2,072**	**194**	**4,014**

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

Judges' II contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2022 actuarial valuation as 32.1%. The percentage changes in any given year only once the change to the total normal cost is greater than 1.0% from the base total normal cost. The new member rate should be 50% of the new normal cost rounded to the nearest quarter percentage.

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

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2022.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2022

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	9.62 %	8.00 %
Employer rate of annual payroll	as-you-	24.24	29.38
Total	go"	**33.86 %**	**37.38 %**

***Actuarial Methods and Assumptions*:** The total pension liability for single-employer plans was measured as of June 30, 2022 (measurement date), by rolling forward the total pension liability determined by the June 30, 2021 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 23.

Table 23

Actuarial Methods and Assumptions – Single-employer Plans

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

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

Judges' – 3.69%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.69%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 6.15%

Legislators' – 4.85%

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

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

Table 24

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

Asset Class	Judges' II Assumed Asset Allocation	Legislators' Assumed Asset Allocation	Real Return [1,2]
Public equity	51.0 %	18.0 %	4.50 %
Global fixed income	21.0	45.0	1.40
Inflation sensitive	5.0	20.0	0.50
Commodities	3.0	3.0	1.10
Real estate	20.0	14.0	3.70
Total	**100.0 %**	**100.0 %**	

[1] An expected inflation rate of 2.30% used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

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

Table 25

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

	Judges'			Judges' II			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, 2021 (Valuation Date)	$ 3,326,289	$ 61,640	$ 3,264,649	$ 2,063,342	$ 2,398,029	$ (334,687)	$ 91,867	$ 122,048	$ (30,181)	**$ 5,481,498**	**$ 2,581,717**	**$ 2,899,781**
Changes recognized for the measurement period:												
Service cost	10,345	—	10,345	115,808	—	115,808	108	—	108	**126,261**	**—**	**126,261**
Interest on total pension liability	93,559	—	93,559	120,585	—	120,585	4,299	—	4,299	**218,443**	**—**	**218,443**
Difference between expected and actual experience	(92,633)	—	(92,633)	(67,751)	—	(67,751)	(992)	—	(992)	**(161,376)**	**—**	**(161,376)**
Changes of assumptions	(598,096)	—	(598,096)	(59,394)	—	(59,394)	1,024	—	1,024	**(656,466)**	**—**	**(656,466)**
Employer contributions	—	194,960	(194,960)	—	92,773	(92,773)	—	85	(85)	**—**	**287,818**	**(287,818)**
Employee contributions	—	1,956	(1,956)	—	36,529	(36,529)	—	23	(23)	**—**	**38,508**	**(38,508)**
Net investment income	—	194	(194)	—	(324,365)	324,365	—	(12,450)	12,450	**—**	**(336,621)**	**336,621**
Benefit payments, including refunds of employee contributions	(210,491)	(210,491)	—	(66,739)	(66,739)	—	(6,647)	(6,647)	—	**(283,877)**	**(283,877)**	**—**
Administrative expense	—	(1,677)	1,677	—	(1,842)	1,842	—	(436)	436	**—**	**(3,955)**	**3,955**
Other miscellaneous income	—	2,305	(2,305)	—	4	(4)	—	1	(1)	**—**	**2,310**	**(2,310)**
Net changes	**(797,316)**	**(12,753)**	**(784,563)**	**42,509**	**(263,640)**	**306,149**	**(2,208)**	**(19,424)**	**17,216**	**(757,015)**	**(295,817)**	**(461,198)**
Balance at June 30, 2022 (Measurement Date)	**$ 2,528,973**	**$ 48,887**	**$ 2,480,086**	**$ 2,105,851**	**$ 2,134,389**	**$ (28,538)**	**$ 89,659**	**$ 102,624**	**$ (12,965)**	**$ 4,724,483**	**$ 2,285,900**	**$ 2,438,583**
											Reported in governmental activities	**$ 2,438,583**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Judges' net pension liability was calculated using a discount rate of 3.69%; Judges' II used 6.15%; and Legislators' used 4.85%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans
June 30, 2023
(amounts in thousands)

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

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

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the single-employer plans, for the fiscal year ended June 30, 2022, the State recognized pension income of $540 million. At June 30, 2023, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2022, but prior to June 30, 2023, which will be recognized as a reduction of the net pension liability in the subsequent year.

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

Table 27

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – Single-employer Plans
June 30, 2023
(amounts in thousands)

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

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

Table 28

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans
(amounts in thousands)

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

B. California State Teachers' Retirement System

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

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

***Benefits Provided*:** Membership in the DB Program is mandatory for all employees meeting certain statutory requirements. The DB Program provides retirement benefits based on a member's age, final compensation, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1,800 contributing employers, 458,000 active and 235,000 inactive program members, and 329,000 benefit recipients as of June 30, 2023. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2022, was approximately $40.1 billion.

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

***Contributions*:** The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 10.21% and 16.92% of creditable compensation, respectively. The General Fund contributed an additional 6.311% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will remain at 6.311% in the next year and may increase until the fiscal year 2045-46. Accordingly, the State contributed $3.7 billion for the fiscal year 2022-23. CalSTRS' June 30, 2021 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2022, the CBB Program had 29 contributing school districts and 41,419 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2022, 316 individuals were receiving benefits from the RB program.

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

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2021
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Post-retirement benefit increases (COLAs)	2.00% simple

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

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

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

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

Table 30

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

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

***Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** CalSTRS' net pension liability was measured as of June 30, 2022 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2021 (valuation date). The State's proportion of the net pension liability was based on CalSTRS' calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS' revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS' policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2022, the State's proportionate share of the CalSTRS' net pension liability was 33.37%, or \$23.2 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2023.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$2.4 billion for the fiscal year ended June 30, 2023, and reported deferred outflows and deferred inflows of resources as shown in Table 31.

Table 31

Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS
June 30, 2023
(amounts in thousands)

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

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

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

Table 32

Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS
(amounts in thousands)

Year Ending June 30	Amount
2024	$ (544,822)
2025	(1,684,437)
2026	(2,045,610)
2027	1,485,733
2028	(320,686)
Thereafter	(91,720)

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

Table 33

Net Pension Liability Sensitivity – CalSTRS
June 30, 2023
(amounts in thousands)

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

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

C. Trial Court Pension Plans

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

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

***Net Pension Liability Actuarial Methods and Assumptions*:** The net pension liability of 52 trial courts was measured as of each individual plan's measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan's valuation date, based on the actuarial methods and assumptions used by each plan. For 30 of the CalPERS agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2022, and valued as of June 30, 2021. For 16 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2022. Of these plans, five had a valuation date of June 30, 2022, and 11 had a valuation date of June 30, 2021. For six of the cost-sharing multiple-employer plans, the net pension liability was measured as of December 31, 2022. Of these plans, three had an actuarial valuation date of December 31, 2021, two had a valuation date of January 1, 2022, and one had a valuation date of December 31, 2022. Two agent multiple-employer

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

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

Table 34

Actuarial Methods and Assumptions – Trial Court Pension Plans

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	30	22
Valuation date(s):	June 30, 2021	Eleven plans as of June 30, 2021. Three plans as of December 31, 2021. Two plans as of January 1, 2022. Five plans as of June 30, 2022. One plan as of December 31, 2022.
Actuarial assumptions:		
Discount rate	6.90%	Rates ranging from 6.42% to 7.25%

***Discount Rates*:** The discount rate used to measure the total pension liability of the trial courts that participate in the agent multiple-employer defined benefit pension plan was 6.90%. The discount rates used to measure the total pension liability of each trial court that participates in a cost-sharing multiple employer defined benefit plan ranged from 6.42% to 7.25% as of the respective measurement date.

***Pension Accounting Elements*:** For the trial court pension plans, the State reported total pension liability of $11.9 billion and fiduciary net position of $9.5 billion, which resulted in a net pension liability of $2.4 billion as of June 30, 2023. For the fiscal year ended June 30, 2023, the State recognized pension expense of $285 million. At June 30, 2023, the State reported deferred outflows of resources of $1.2 billion and deferred inflows of resources of $365 million. The reported deferred outflows of resources included $360 million from pension contributions the trial courts made subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

A. Retiree Health Benefits Program

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

The Program has 17 different valuation groups that include different categories of employees. Effective July 1, 2018, valuation groups 1, 3, 4, 11, 14, 15, 17, 20 and 21, were consolidated as one actuarial valuation group, Service Employees International Union (SEIU). Valuation groups that have accumulated prefunding assets in a CERBTF subaccount are reported as separate OPEB plans. As of the June 30, 2023 reporting date, these valuation groups included SEIU as well as Bargaining Units 2, 5, 6, 7, 8, 9, 10, 12, 13, 16, 18, 19, the Judicial Branch, and EEE employees. The OPEB plans for SEIU as well as Bargaining Units 5, 6, 9, and 12 are each reported discretely. The OPEB plans for Bargaining Units 2, 7, 8, 10, 13, 16, 18, 19, the Judicial Branch, and EEE employees are collectively reported as "Other Funded Plans." The remaining valuation groups (the California State University and Other) for which the State made contributions through the CERBTF on a "pay-as-you-go" basis to fund benefit payments are collectively reported as the "Unfunded Plan." Prefunding contributions to the CERBTF are nonrefundable, and state employees have no claims or rights to the assets. CalPERS reports on the CERBTF as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

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

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

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

Employees Covered by Benefit Terms: Detailed information about the number of employees covered within the OPEB plans is provided in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2022* (June 30, 2022 Actuarial Valuation Report), on the State Controller's Office website, at www.sco.ca.gov.

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

Table 35

Number of Employees by Type Covered by Benefit Terms – Retiree Health Benefits Program
June 30, 2022

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

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

***Contributions*:** The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of annuitants' family members. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending on the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a "pay-as-you-go" basis, with a modest amount of prefunding for members of SEIU, Bargaining Units 5, 6, 9, 12, and other funded plans. See Table 38 for details on the fiduciary net positions of the OPEB plans. The maximum 2022 monthly State contribution was $816 for one-party coverage, $1,548 for two-party coverage, and $1,983 for family coverage. For the year ended June 30, 2022, the State contributed $4.0 billion toward annuitants' health and dental benefits.

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

For the measurement period ended June 30, 2022 (the measurement date), total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 36.

Table 36

Actuarial Methods and Assumptions – Retiree Health Benefits Program

Valuation date:	June 30, 2022
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB Statement No. 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.69%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2023, increasing to 7.00% in 2024, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years Dental coverage: 0.03% for 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and later years
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2022 valuation were based on the results of the *2021 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 2000 to 2019 and included updates to termination, disability, and retirement rates. The CalPERS experience study can be obtained from CalPERS' website at www.CalPERS.ca.gov.

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

***Investment Rate of Return*:** The long-term expected rate of return on OPEB plan investments was determined by GRS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected real returns for the short-term (first five years) and the long-term (six-20 years), and an average inflation assumption of 2.30%, a single expected return rate of 6.00% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

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

Table 37

Long-term Expected Real Rate of Return by Asset Class

Asset Class	Target Asset Allocation	Real Return Years 1 – 5	Real Return Years 6 - 20
Global Equity	49.0 %	4.40 %	4.50 %
Fixed Income	23.0	(1.00)	2.20
Treasury Inflation-Protected Securities	5.0	(1.80)	1.30
Real Estate Investment Trusts	20.0	3.00	3.90
Commodities	3.0	0.80	1.20
Total	**100.0 %**		

Discount Rates**:** The blended rates used to measure the June 30, 2022 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The actuarial valuation as of June 30, 2022 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the years ended June 30, 2021 and June 30, 2022. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2022,* on the State Controller's Office website, at www.sco.ca.gov.

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

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

Table 38

Changes in Net OPEB Liability
(amounts in thousands)

	SEIU			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, 2021	$ 32,759,998	$ 914,261	$ 31,845,737	$ 5,994,057	$ 631,538	$ 5,362,519	$ 18,187,008	$ 1,218,428	$ 16,968,580
Changes recognized for the measurement period:									
Service cost	1,297,725	—	1,297,725	209,691	—	209,691	655,259	—	655,259
Interest on total OPEB liability	908,980	—	908,980	181,784	—	181,784	531,126	—	531,126
Difference between expected and actual experiences	831,414	—	831,414	(92,802)	—	(92,802)	916,117	—	916,117
Changes of assumptions	(6,216,338)	—	(6,216,338)	(1,359,809)	—	(1,359,809)	(3,595,519)	—	(3,595,519)
Employer contributions	—	1,576,970	(1,576,970)	—	212,763	(212,763)	—	623,643	(623,643)
Employee contributions	—	286,986	(286,986)	—	8,452	(8,452)	—	119,564	(119,564)
Net investment income	—	(228,601)	228,601	—	(102,287)	102,287	—	(209,053)	209,053
Benefit payments	(1,038,983)	(1,038,983)	—	(92,183)	(92,183)	—	(389,079)	(389,079)	—
Administrative expense	—	(333)	333	—	(177)	177	—	(353)	353
Net changes	**(4,217,202)**	**596,039**	**(4,813,241)**	**(1,153,319)**	**26,568**	**(1,179,887)**	**(1,882,096)**	**144,722**	**(2,026,818)**
Balance at June 30, 2022 (Measurement Date)	**$ 28,542,796**	**$ 1,510,300**	**$ 27,032,496**	**$ 4,840,738**	**$ 658,106**	**$ 4,182,632**	**$ 16,304,912**	**$ 1,363,150**	**$ 14,941,762**

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)
(amounts in thousands)

	Bargaining Unit 9 Plan			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, 2021	$ 4,646,254	$ 225,215	$ 4,421,039	$ 4,212,096	$ 186,671	$ 4,025,425	$ 16,061,952	$ 841,359	$ 15,220,593
Changes recognized for the measurement period:									
Service cost	173,027	—	173,027	145,385	—	145,385	674,238	—	674,238
Interest on total OPEB liability	129,982	—	129,982	118,610	—	118,610	464,427	—	464,427
Difference between expected and actual experiences	222,406	—	222,406	227,285	—	227,285	1,023,794	—	1,023,794
Changes of assumptions	(879,542)	—	(879,542)	(760,893)	—	(760,893)	(3,182,977)	—	(3,182,977)
Employer contributions	—	182,205	(182,205)	—	203,008	(203,008)	—	698,670	(698,670)
Employee contributions	—	33,871	(33,871)	—	31,356	(31,356)	—	137,487	(137,487)
Net investment income	—	(42,399)	42,399	—	(37,298)	37,298	—	(164,073)	164,073
Benefit payments	(120,334)	(120,334)	—	(139,651)	(139,651)	—	(436,182)	(436,182)	—
Administrative expense	—	(69)	69	—	(59)	59	—	(263)	263
Net changes	**(474,461)**	**53,274**	**(527,735)**	**(409,264)**	**57,356**	**(466,620)**	**(1,456,700)**	235,639	**(1,692,339)**
Balance at June 30, 2022 (Measurement Date)	**$ 4,171,793**	**$ 278,489**	**$ 3,893,304**	**$ 3,802,832**	**$ 244,027**	**$ 3,558,805**	**$ 14,605,252**	**$ 1,076,998**	**$ 13,528,254**

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)
(amounts in thousands)

	Unfunded Plan			Total		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	$ 17,666,441	$ —	$ 17,666,441	**$ 99,527,806**	**$ 4,017,472**	**$ 95,510,334**
Changes recognized for the measurement period:						
Service cost	828,893	—	828,893	**3,984,218**	**—**	**3,984,218**
Interest on total OPEB liability	350,040	—	350,040	**2,684,949**	**—**	**2,684,949**
Difference between expected and actual experiences	1,171,850	—	1,171,850	**4,300,064**	**—**	**4,300,064**
Changes of assumptions	(4,210,439)	—	(4,210,439)	**(20,205,517)**	**—**	**(20,205,517)**
Employer contributions	—	530,610	(530,610)	**—**	**4,027,869**	**(4,027,869)**
Employee contributions	—	—	—	**—**	**617,716**	**(617,716)**
Net investment income	—	—	—	**—**	**(783,711)**	**783,711**
Benefit payments	(530,610)	(530,610)	—	**(2,747,022)**	**(2,747,022)**	**—**
Administrative expense	—	—	—	**—**	**(1,254)**	**1,254**
Net changes	**(2,390,266)**	**—**	**(2,390,266)**	**(11,983,308)**	**1,113,598**	**(13,096,906)**
Balance at June 30, 2022 (Measurement Date)	**$ 15,276,175**	**$ —**	**$ 15,276,175**	**$ 87,544,498**	**$ 5,131,070**	**$ 82,413,428**

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

(concluded)

[1] Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net OPEB liability for discretely presented component units with a reporting period ended December 31, 2022, and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

***Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates*:** Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 3.69% to 4.23%, as well as what the net OPEB liability would be if it were calculated using rates that are one percentage-point lower or one percentage-point higher than the blended discount rates.

Table 39

Net OPEB Liability Sensitivity to Changes in Blended Discount Rates
June 30, 2023
(amounts in thousands)

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

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

Table 40

Net OPEB Liability Sensitivity to Changes in the Healthcare Cost Trend Rates
June 30, 2023
(amounts in thousands)

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

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of $737 million for the year ended June 30, 2023. Deferred outflows of resources are recognized for changes of assumptions, for employer contributions subsequent to the measurement date, and for the difference between expected and actual experience. Deferred inflows of resources are recognized for changes of assumptions and for the difference between expected and actual experience. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on the OPEB plans' investments occurring in different measurement periods.

As of June 30, 2023, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 41.

Table 41

OPEB Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to OPEB
June 30, 2023
(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan	Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
OPEB Expense	$ 27,955	$ 91,047	$ 275,599	$ 2,101	$ (40,360)	$ 209,215	$ 171,094	**$ 736,651**
Deferred Outflows of Resources:								
Employer contributions subsequent to the measurement date	1,369,690	143,430	513,110	164,497	175,199	593,704	527,794	**3,487,424**
Difference between expected and actual experiences	721,067	16,752	762,178	190,170	193,301	900,772	998,272	**3,782,512**
Changes of assumptions	1,756,233	729,062	1,661,882	222,658	180,637	1,022,814	1,016,876	**6,590,162**
Net difference between projected and actual earnings on OPEB plan investments	178,203	59,478	131,466	28,594	26,013	112,951	—	**536,705**
Deferred Inflows of Resources:								
Difference between expected and actual experiences	3,266,897	603,040	1,372,373	348,761	419,696	1,547,101	1,527,926	**9,085,794**
Changes of assumptions	6,106,933	1,229,114	3,170,562	793,282	677,937	3,089,601	3,954,528	**19,021,957**

The $3.5 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

Table 42

Recognition of Deferred Outflows and Deferred Inflows of Resources Related to OPEB
(amounts in thousands)

	Year Ending June 30					
OPEB Plan	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**
Service Employees International Union (SEIU) Plan	$ (1,702,192)	$ (1,320,976)	$ (807,921)	$ (829,263)	$ (887,062)	$ (1,170,913)
Bargaining Unit 5	(240,702)	(179,910)	(163,359)	(212,665)	(230,226)	—
Bargaining Unit 6	(601,059)	(344,699)	(294,166)	(320,774)	(426,711)	—
Bargaining Unit 9	(181,039)	(120,944)	(101,081)	(102,256)	(109,653)	(85,648)
Bargaining Unit 12	(200,962)	(126,257)	(121,322)	(104,322)	(89,921)	(54,898)
Other Funded Plans	(660,935)	(510,643)	(402,509)	(331,353)	(316,459)	(378,266)
Unfunded Plan	(921,501)	(681,068)	(445,918)	(413,849)	(447,663)	(557,307)
Total	**$ (4,508,390)**	**$ (3,284,497)**	**$ (2,336,276)**	**$ (2,314,482)**	**$ (2,507,695)**	**$ (2,247,032)**

B. Trial Court OPEB Plans

***Plan Description*:** The 58 trial courts are reported as part of the primary government, but each trial court may utilize a separate OPEB plan, where OPEB is offered to employees, and obtain a separate actuarial valuation report for GASB Statement No. 75 reporting purposes. One trial court (Los Angeles) participates in both an agent multiple-employer defined benefit OPEB plan and a single-employer plan, three trial courts (Alameda, Orange, and San Diego) participate in county administered cost-sharing multiple-employer defined benefit OPEB plans, 39 trial courts participate in an agent multiple-employer defined benefit OPEB plan, and 11 trial courts participate in single-employer defined benefit OPEB plans. Four trial courts (Fresno, Mendocino, San Benito, and Stanislaus) do not have an OPEB plan.

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

***Net OPEB Liability Actuarial Methods and Assumptions*:** For two of the trial court valuations, the net OPEB liability was measured as of December 31, 2022 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2022. One of the courts had an actuarial valuation date of December 31, 2021, and 53 courts were valued as of June 30, 2021.

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

Table 43

Actuarial Methods and Assumptions – Trial Court OPEB Plans

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plans	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2021	June 30, 2021	Two plans as of June 30, 2021. One plan as of December 31, 2021.
Actuarial assumptions:			
Discount rate	Single rate of 3.69%.	Blended and single rates ranging from 3.69% to 7.00%.	Single rates ranging from 6.50% to 7.00%.
Healthcare cost trend rates	Initial rate of 6.70% in 2022, gradually decreasing to an ultimate rate of 3.70% over 53 years per the Society of Actuaries Getzen model.	Initial rate of 6.70% in 2022, gradually decreasing to an ultimate rate of 3.70% over 53 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.50 to 7.50%, decreasing gradually to ultimate rates ranging from 3.75% to 4.50% in 2034 and later years.

***Discount Rates*:** The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2022 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.45% to 7.00% when prefunding assets are available to pay benefits. Single rates range from 3.69% to 7.00%. The projections of cash flows used to determine the discount rates assumed that plan contributions will be made according to funding policy, benefits will be paid out of OPEB trusts until assets are depleted, and employer contributions will first be applied to employee service costs in each period.

***OPEB Accounting Elements*:** For the trial court OPEB plans, the State reported total OPEB liability of $1.9 billion and fiduciary net position of $289 million, which resulted in a net OPEB liability of $1.6 billion as of June 30, 2023, reported in governmental activities. For the year ended June 30, 2023, the State recognized OPEB expense of $43 million. At June 30, 2023, the State reported deferred outflows of resources of $288 million and deferred inflows of resources of $517 million. Deferred outflows of resources included $92 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

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

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks, which total the maximum authorized issuance of general obligation and enterprise fund commercial paper notes. As of June 30, 2023, there were no borrowings with the banks under the revolving credit agreements. The current "Letter of Credit" agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $2.5 billion. As of June 30, 2023, the general obligation commercial paper program had $1.3 billion in outstanding commercial paper notes for governmental activities. The current agreements for the enterprise fund commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $1.4 billion. As of June 30, 2023, the enterprise fund commercial paper program had $250 million in outstanding notes.

The primary government has a bond anticipation note program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2023, $152 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

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

NOTE 13: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

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

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

Table 44

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

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

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

Table 45

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

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

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

As of June 30, 2023, the discretely presented component units, including the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units, reported lease liabilities for land, buildings, equipment, and other assets and subscription liabilities for information technology software. Additional disclosures for the University of California's lease and subscription liabilities are included in the University's separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosures for CalHFA's lease liability are included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 14: COMMITMENTS

As of June 30, 2023, the primary government had commitments of $8.9 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with $7.8 billion from proceeds of approved federal grants and $1.1 billion from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of $10.6 billion for various education programs, $3.5 billion for housing and community development programs, $746 million for terrorism prevention and disaster-preparedness response projects, $699 million for services provide under various public health programs, $406 million for community service programs, $194 million for health services related to

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

The primary government had other commitments, totaling $29.4 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The $29.4 billion in commitments includes grant agreements totaling approximately $21.5 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The $29.4 billion in commitments includes $3.4 billion in undisbursed loan commitments to qualified agencies for clean water projects and $1.7 billion in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The $29.4 billion in commitments also includes contracts of $1.0 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of $1.2 billion for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2023, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $25 million in electricity through December 2024. The California State Lottery Commission had commitments of $610 million for gaming and telecommunication systems and services. The primary government also had commitments of $36 million to veterans for the purchase of properties under contracts of sale. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2023, the primary government encumbered expenditures of $12.0 billion for the General Fund, $5.0 billion for the Transportation Fund, $2.5 billion for the Environmental and Natural Resources Fund, $19 million for the Health Care Related Programs Fund, and $2.0 billion for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2023, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

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

As of June 30, 2023, the State had $70.7 billion in outstanding general obligation bonds related to governmental activities and $663 million related to business-type activities. In addition, $26.6 billion in long-term general obligation bonds had been authorized but not issued, of which $25.8 billion is related to governmental activities and $804 million is related to business-type activities. The total amount authorized but not issued (which may first be issued as commercial paper notes) includes $9.1 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes or bonds. In addition, the State had $1.3 billion in general obligation indebtedness in the form of commercial paper notes had been issued but not yet retired by long-term bonds as of June 30, 2023.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2023, the State had $727 million in variable-rate general obligation bonds outstanding, consisting of $219 million in daily-rate bonds with credit enhancement, and $508 million in weekly-rate bonds with credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents, to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds and, as applicable, payment of purchase price upon tender by the holder. The State has entered into different credit agreements with various banks (credit providers) for one or more series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments to the bondholders up to a commitment amount identified in the applicable credit agreement; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the applicable commitment amount. The bondholders have the right to tender the bonds on any business day in accordance with the applicable bond documents. Upon a tender, the remarketing agent will attempt to remarket the tendered bond to a new investor. If the remarketing of the tendered bond is unsuccessful, the bond will be purchased by the applicable credit provider and become a bank bond and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed, redeemed, or paid at maturity. If a bond cannot be remarketed and remains a bank bond for a period ranging from 90 days to 180 days, the bond will be subject to amortization payments in equal installments under the terms stated in the applicable credit agreement. The amortization period may exceed the expiration date of the

applicable credit agreement. A bank bond may be remarketed at any time during the amortization period. There were no bank bonds during the 2022-23 fiscal year.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of December 16, 2024; August 25, 2025; and May 10, 2028. The letter of credit for the Series 2004 variable-rate bonds has an expiration date of January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of November 18, 2024; April 22, 2025; and May 8, 2026.

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for the 2022-23 fiscal year.

B. Build America Bonds

As of June 30, 2023, the State had $11.3 billion in taxable various-purpose general obligation bonds outstanding that were issued as “Build America Bonds” under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds have scheduled maturity dates in the fiscal years ended June 30, 2027, 2034, and 2039 to 2041. Pursuant to ARRA, the State receives a cash subsidy payment from the U. S. Treasury equal to 35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 5.7% for the federal fiscal years ending September 30, 2021 to September 30, 2030. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the U. S. Treasury under ARRA. The subsidy payments are deposited into the State’s General Fund.

C. Debt Service Requirements

Table 46 shows the debt service requirements for all general obligation bonds as of June 30, 2023. The estimated debt service requirements for the $727 million variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2023. The amounts include scheduled mandatory sinking fund redemptions but do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 46

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

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

D. General Obligation Bond Defeasances

1. Current Year Activity

On September 20, 2022, the primary government issued $1.0 billion in general obligation bonds to current refund $1.1 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2024 to 2033, 2036 to 2037, and 2043. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $115 million and resulted in an economic gain of $79 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 3.56% per year over the life of the new bonds.

On November 3, 2022, the primary government issued $1.2 billion in general obligation bonds to current refund $1.3 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2024 to 2033, 2038, and 2043 to 2048. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $137 million and resulted in an economic gain of $93 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 3.77% per year over the life of the new bonds.

On November 17, 2022, the primary government issued $37 million in general obligation bonds to advance refund $37 million in outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2027, 2033, 2036, and 2044. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $27 million. The purpose of this refunding was to effect a favorable reorganization of the debt structure of the State.

On April 13, 2023, the primary government issued $1.2 billion in general obligation bonds to current refund $1.3 billion in outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2026 to 2028, 2030, 2032 to 2034, 2037, and 2043. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $282 million and resulted in an economic gain of $198 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 3.05% per year over the life of the new bonds.

2. Outstanding Balance

In the current and prior years, the primary government placed the proceeds of the refunding bonds and other resources in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and liability for defeased bonds are not included in the State's financial statements. As of June 30, 2023, there are $37 million in outstanding defeased general obligation bonds.

NOTE 16: REVENUE BONDS

A. Governmental Activities

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

The California Health Facilities Financing Authority (CHFFA) is authorized to issue No Place Like Home Program Senior Revenue Bonds to provide permanent supportive housing for persons experiencing homelessness or chronic homelessness, or who are at-risk for chronic homelessness, and who are in need of mental health services. These bonds are secured by and payable from a portion of Proposition 63 Tax Transfers. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds are $2.4 billion, payable through 2041. Interest paid in the current year totaled $59 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. Total principal and interest remaining on all asset-backed bonds is $9.4 billion, payable through 2066. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled $700 million, while Tobacco Settlement Revenue and interest earned totaled $476 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of designing, acquiring, or constructing state buildings, related improvements, and equipment. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $10.9 billion, payable through 2048. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

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

B. Business-type Activities

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

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

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

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for the fiscal year 2022-23, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for the fiscal year 2022-23, which may be found on its website at www.CalHFA.ca.gov.

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

Table 47

Schedule of Revenue Bonds Payable
June 30, 2023
(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	$ 426
Public Buildings Construction Fund	8,585,648
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	5,770,403
No Place Like Home Program	1,741,435
Total governmental activities	**16,097,912**
Business-type activities	
Water Resources Fund	3,392,570
California State University	9,107,077
Nonmajor enterprise funds	2,105,866
Total business-type activities	**14,605,513**
Total primary government	**30,703,425**
Discretely presented component units	
University of California	31,893,528
California Housing Finance Agency	40,955
Nonmajor component units	920,404
Total discretely presented component units	**32,854,887**
Total revenue bonds payable	**$ 63,558,312**

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

Table 48

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

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

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

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2022-23 fiscal year, the GSTSC issued $218 million in Enhanced Tobacco Settlement Asset-Backed refunding bonds. The bond proceeds were used to current refund $361 million in outstanding Enhanced Tobacco Settlement Asset-Backed bonds. The net proceeds of the refunding bonds were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by $316 million and resulted in an economic gain of $88 million.

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

2. Current Year – Business-type Activities

In September 2022, the Department of Water Resources issued $248 million in tax-exempt water system revenue bonds to refund $149 million in outstanding water system revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by $4 million and resulted in an economic gain of $1 million.

3. Outstanding Balances

In current and prior fiscal years, the primary government placed the proceeds of the refunding bonds and other resources in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2023, the outstanding balance of defeased revenue bonds was $599 million for business-type activities. Of this amount, the outstanding balance of bonds that were defeased using the State's own existing resources was $5 million. All defeased revenue bonds for governmental activities were redeemed by June 30, 2023.

NOTE 17: RISK MANAGEMENT

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

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be $6.0 billion as of June 30, 2023. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately $8.4 billion is discounted to $6.0 billion using a 3.5% interest rate. Of the total discounted liability, $634 million is a current liability, of which $470 million is included in the General Fund, $160 million in the special revenue funds, and $5 million in the internal service funds. The remaining $5.4 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

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

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

Table 49

Schedule of Changes in Self-insurance Claims
Year Ended June 30
(amounts in thousands)

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

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NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

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

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

Table 50

Schedule of Due From Other Funds and Due To Other Funds
June 30, 2023
(amounts in thousands)

	Due To												
Due From	**General Fund**	**Federal Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Health Care Related Programs 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	$ —	$ —	$ 40,856	$ —	$ —	$ 2,427,020	$ —	$ 48,576	$ 2,833	$ 2,545	$ 308,315	$ 1,081,828	$ 3,911,973
Federal Fund	2,996,607	—	653,237	87,527	—	91,769	—	379	—	25,094	10,769	151	3,865,533
Transportation Fund	—	—	—	49,415	—	206,721	—	—	—	—	7,997	50,923	315,056
Environmental and Natural Resources Fund	147,578	—	—	—	—	14,394	—	—	—	2,000	39,294	—	203,266
Health Care Related Programs Fund	3,701,292	152,800	—	38	—	4,568	—	—	—	—	655	—	3,859,353
Nonmajor governmental funds	66,526	—	4,442	18,941	46,453	21,076	—	—	—	—	85,369	4	242,811
Total governmental funds	**6,912,003**	**152,800**	**698,535**	**155,921**	**46,453**	**2,765,548**	**—**	**48,955**	**2,833**	**29,639**	**452,399**	**1,132,906**	**12,397,992**
Enterprise funds													
Water Resources Fund	—	15	—	315	—	—	—	—	—	—	132,983	—	133,313
State Lottery Fund	511	—	—	—	—	595,589	—	—	—	—	—	—	596,100
Nonmajor enterprise funds	985	—	6	21,286	—	556	—	—	—	—	209	68	23,110
Total enterprise funds	**1,496**	**15**	**6**	**21,601**	**—**	**596,145**	**—**	**—**	**—**	**—**	**133,192**	**68**	**752,523**
Internal service funds	20,304	12,416	102,443	147,516	12,350	95,982	7,391	31,002	—	10,142	251,244	1,229	**692,019**
Total due from other funds	**$ 6,933,803**	**$ 165,231**	**$ 800,984**	**$ 325,038**	**$ 58,803**	**$ 3,457,675**	**$ 7,391**	**$ 79,957**	**$ 2,833**	**$ 39,781**	**$ 836,835**	**$ 1,134,203**	**$ 13,842,534**

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

In fiscal year 2017-18, a supplemental employer contribution was made to the California Public Employees' Retirement System (CalPERS) to help reduce the State's net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits in the State's internal investment pool—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits. The table below includes an outstanding balance of $2.0 billion of interfund loans. There is an additional $68 million reported as loans receivable from entities outside of the State's primary government.

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

Table 51

Schedule of Interfund Receivables and Payables
June 30, 2023
(amounts in thousands)

	Interfund Payables										
Interfund Receivables	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Health Care Related Programs Fund**	**Nonmajor Governmental Funds**	**Water Resources Fund**	**Unemployment Programs Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total Interfund Payables**
Governmental funds											
General Fund	$ —	$ 134,189	$ 1,259,305	$ 149,051	$ 865,231	$ —	$ 227,154	$ 6,387	$ 21,651	$ 29,973	$ 2,692,941
Transportation Fund	—	—	—	—	—	—	—	—	642	—	642
Environmental and Natural Resources Fund	516,389	10,000	—	—	—	—	—	—	2,419	—	528,808
Nonmajor governmental funds	8,752	31,448	—	—	—	—	—	—	—	—	40,200
Total governmental funds	**525,141**	**175,637**	**1,259,305**	**149,051**	**865,231**	**—**	**227,154**	**6,387**	**24,712**	**29,973**	**3,262,591**
Enterprise funds											
Water Resources Fund	—	603	7,590	1,090	3,261	—	1,662	47	39	219	14,511
State Lottery Fund	—	135	1,697	244	729	—	371	10	9	49	3,244
California State University Fund	—	1,429	18,004	2,587	7,735	—	3,942	111	92	520	34,420
Nonmajor enterprise funds	21,720	18	226	32	97	—	49	2	1	7	22,152
Total enterprise funds	**21,720**	**2,185**	**27,517**	**3,953**	**11,822**	**—**	**6,024**	**170**	**141**	**795**	**74,327**
Internal service funds	3,367,552	752	9,463	1,360	4,066	183,169	2,072	58	16,003	273	3,584,768
Total interfund receivables	**$ 3,914,413**	**$ 178,574**	**$ 1,296,285**	**$ 154,364**	**$ 881,119**	**$ 183,169**	**$ 235,250**	**$ 6,615**	**$ 40,856**	**$ 31,041**	**$ 6,921,686**

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

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

Table 52

Schedule of Due From Primary Government and Due To Component Units
June 30, 2023
(amounts in thousands)

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

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B. Interfund Transfers

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

Table 53 shows interfund transfers of the primary government.

Table 53

Schedule of Interfund Transfers
June 30, 2023
(amounts in thousands)

Transferred From	Transferred To: General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds	California State University Fund	Internal Service Funds	Total Transfers To Other Funds
Governmental funds								
General Fund	$ —	$ 10,805	$ 63,825	$ 120,600	$ 5,490,512	$ 6,047,026	$ 95,140	$ 11,827,908
Federal Fund	700,073	13,601	16,393	52	31,133	—	5,668	766,920
Transportation Fund	166	—	17,620	—	1,382,387	—	—	1,400,173
Environmental and Natural Resources Fund	92,371	728	—	—	5,094	—	—	98,193
Health Care Related Programs Fund	—	—	—	—	1,152	—	—	1,152
Nonmajor governmental funds	63,901	31	26,201	138,279	162,513	—	—	390,925
Total governmental funds	**856,511**	**25,165**	**124,039**	**258,931**	**7,072,791**	**6,047,026**	**100,808**	**14,485,271**
Internal service funds	32,825	—	—	—	1,971	—	2,613	37,409
Total transfers from other funds	**$ 889,336**	**$ 25,165**	**$ 124,039**	**$ 258,931**	**$ 7,074,762**	**$ 6,047,026**	**$ 103,421**	**$ 14,522,680**

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

A. Fund Balances

Table 54 shows the composition of the governmental fund balances.

Table 54

Schedule of Fund Balances by Function
June 30, 2023
(amounts in thousands)

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

B. Net Position Deficits

Table 55 shows the net position deficit balances.

Table 55

Schedule of Net Position Deficits
June 30, 2023
(amounts in thousands)

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

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2023, the value of restricted endowments and gifts totaled $27.6 billion, and unrestricted endowments and gifts totaled $11.0 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to $3.6 billion at June 30, 2023. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of $1.9 billion and $19 million, respectively.

NOTE 20: CONDUIT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2023, CalHFA had $5.5 billion of conduit debt obligations outstanding. CalHFA provides a limited commitment for such debt. Neither CalHFA, nor the State assumes the liabilities for the debt service of the debt issuances in the event of default. Revenues and other assets pledged and assigned under applicable indentures and agreements secure the debt.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. As of June 30, 2023, the nonmajor component units had approximately $4.7 billion of conduit debt obligations outstanding. The nonmajor component units provide a limited commitment for such debt. Neither the nonmajor component units, nor the State assume the liabilities for the debt service of the debt issuances in the event of default. Revenues and other assets pledged and assigned under applicable indentures and agreements secure the debt.

NOTE 21: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2023; those in progress as of June 30, 2023, and settled or decided against the primary government as of December 5, 2024; and those having a high probability of resulting in a decision against the primary government as of December 5, 2024 and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

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

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

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

The primary government is a defendant in three similar cases: *Metropolitan Water District of Southern California, et al. v. Dept. of Fish and Wildlife, et al.; State Water Contractors, et al. v. Dept. of Fish and Wildlife, et al.; San Bernardino Valley Municipal Water Dist. v. Cal. Dept. of Water Resources, et al.* The plaintiffs filed lawsuits against the primary government seeking to rescind an incidental take permit under the California Endangered Species Act issued by Department of Fish and Wildlife to the Department of Water Resources (DWR) concerning its operation of the State Water Project, and to rescind DWR's environmental review of the same under the California Environmental Quality Act. The plaintiffs also claim that DWR breached its water supply contracts by accepting the permit. One plaintiff asserts that the permit constitutes taking without just compensation. Five other consolidated cases are seeking non-contract-based (writ of mandamus) relief. DWR and the Department of Fish and Wildlife

have prepared the administrative records relative to their administrative decisions that are being challenged, and have augmented the administrative records. The court bifurcated the writ of mandamus claims from the non-writ of mandamus claims, and ordered the writ of mandamus claims tried first. Discovery is stayed until after completion of the writ of mandamus trial. No trial date has been set for the writ of mandamus trial. The estimated range of loss is not possible to ascertain at this time. One plaintiff has estimated damages at $100 million, and the other plaintiffs have not estimated their claimed damages.

The primary government was a defendant in a case, *Amalgamated Transit Union International, et al. v. U.S. Department of Labor, et al.* Under federal law, as a condition of receiving certain federal transit grants, transit agencies must demonstrate to the Department of Labor's (DOL) satisfaction that they provide fair and equitable labor arrangements for transit workers, including arrangements that ensure the "continuation of collective bargaining rights." After California enacted PEPRA in 2012, DOL issued a certification decision finding that PEPRA interfered with the continuation of transit workers' bargaining rights. The State successfully challenged this determination as violating the Administrative Procedure Act, and the Eastern District of California permanently enjoined DOL from relying on PEPRA as a basis to deny grants to two transit agencies. In 2019, DOL began certifying grants in conformity with the district court's orders. A transit union objected to these certifications and filed the pending case, asking the same federal judge to reconsider the earlier ruling and reach the opposite conclusion. The State of California intervened in the case to defend DOL's certification decision. The parties filed and briefed cross-motions for summary judgment, but after the change in presidential administrations in 2020, DOL sought and obtained a voluntary remand of proceedings so it could reconsider its position. In October 2021, DOL issued a new decision reverting to its prior view that PEPRA precludes certification under section 13(c) of the Urban Mass Transportation Act of 1964. The October 2021 reconsideration again finds, in spite of the court's prior contrary rulings, that PEPRA interferes with the collective bargaining rights of transit workers. The reconsideration states that DOL will decline to certify any future grant applications from local transit agencies that are subject to PEPRA. Media reports have estimated the anticipated loss to California transit agencies of funds under the American Rescue Plan Act to be around $2.5 billion, along with around $9.5 billion of anticipated funds under the Infrastructure Improvement and Jobs Act. The State filed a cross-complaint against DOL challenging the reconsidered certification decision as arbitrary and capricious in violation of the Administrative Procedure Act. The Attorney General represents the State of California. The State expeditiously asserted cross-claims challenging the reconsidered determination and moved successfully to stay its implementation and obtained summary judgment in the State's favor. The State moved for leave to file a cross-complaint on November 12, 2021; leave was granted on December 3, 2021, with the cross-complaint deemed filed. The court preliminary enjoined DOL from denying or delaying certification of transit grants on the basis of PEPRA on December 20, 2021. Cross-motions for summary judgment were heard on February 11, 2022. On December 28, 2022, the court granted the State's cross-motion for summary judgment, finding that (1) DOL exceeded its authority by adopting a categorical rule precluding certification; (2) DOL violated the Administrative Procedure Act by ignoring evidence that PEPRA does not interfere with the collective bargaining rights of transit workers; and (3) DOL's interpretation and application of the Urban Mass Transportation Act of 1964 lack support in the text and legislative history of the statute, and are arbitrary and capricious. On February 22, 2023, the district court entered final judgment including a permanent injunction preventing DOL from relying on PEPRA as a basis not to certify grants. The plaintiff and DOL appealed and filed opening briefs in August 2023. The case was argued on April 10, 2024. In July 2024, the appellate court vacated the district court's decision and dismissed the underlying proceedings as prudently unripe on the basis that the 2021 determination did not itself result in the denial of certification of any particular grant application. This outcome effectively requires the parties to re-litigate their claims anew upon the denial of certification (or approval of same) for a specific grant application. There was no settlement or monetary judgment against the State for this case; however, there is a likelihood of follow-up litigation where similar claims would be litigated. There is a reasonable possibility that the outcome of those claims will be unfavorable to the State.

The primary government is a defendant in a case, *Bear Mountain Development Company, LLC v. State of California,* for breach of contract regarding cancellation of a contract for delivery of Personal Protective Equipment (PPE). The State filed a demurrer on August 13, 2021. The court heard the demurrer on December 15, 2021, and the demurrer was granted with leave to amend. On July 27, 2022, the court heard the State's second demurrer to the Second Amended Complaint, and the demurrer was overruled. The court ordered the plaintiff to file a third amended complaint by August 8, 2022. The State filed an answer to the Third Amended Complaint and filed a cross-complaint alleging fraud and misrepresentation. Plaintiff demurred to the State's cross-complaint. On March 9, 2023, the court overruled the demurrer to the fraud cause of action. The court sustained the demurrer to the negligent misrepresentation cause of action with leave to amend. The court granted the State's motion for summary judgment on March 1, 2024, dismissing Bear Mountain's breach of contract action. The State is pursuing cross claims against defendants and third parties. Plaintiff is seeking damages of $799 million for the State's cancellation of a contract for delivery of PPE.

B. Federal Audit Exceptions

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

NOTE 22: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2023, but prior to the date of the auditor's report.

A. Debt Issuances

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

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

In September, October, and November 2023, and March, April, August, and October 2024, the primary government issued a total of $12.5 billion in General Obligation bonds to fund various capital projects

related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes, to pay certain commercial paper notes as they mature, to pay related issuance costs, and to refund outstanding bonds for debt service savings.

In September and October 2023, and April, September, and October 2024, the State Public Works Board issued a total of $3.0 billion in lease revenue bonds to finance and refinance the design and/or construction of various projects, refund and defease previously issued lease revenue bonds, reimburse interim loans from the General Fund, fund capitalized interest on bonds, and pay related issuance costs.

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

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

In October 2024, the primary government issued a total of $230 million in Veterans general obligation and revenue bonds to finance the acquisition of residential property for California military veterans, reimburse the department for contracts funded by the 1943 fund, and funding deferred payment assistant loans for the closing costs of the residential property.

B. Other

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

California continues to experience large swings between drought and flood conditions; these swings are becoming more severe due to climate change. The 2024-25 Budget Act maintains a total of $6.7 billion of investments committed in the 2021 and 2022 Budget Acts over multiple years to improve the State's capacity to endure droughts and floods.

In response to the state of emergency caused by a series of atmospheric river storms during December 2022 and continuing into January 2023, the federal government extended the 2022 tax payment and filing deadlines for Californians residing in impacted areas from April 15, 2023, to November 16, 2023. The California Franchise Tax Board followed suit by extending the State's tax filing deadlines to the same dates. The extension will impact revenues available to the State during the 2023-24 fiscal year.

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

SFRF have been used to address public health impacts, address negative economic impacts, invest in broadband infrastructure projects, and replace lost state revenue.

To meet the surge in demand for unemployment insurance benefits during the COVID-19 pandemic, California borrowed larger than normal amounts from the U.S. Department of Labor. As of June 30, 2023, the State had $17.7 billion in such loans, which were used to cover the deficits in the Unemployment Programs Fund and continue to provide benefit payments to displaced California workers. Loans outstanding from the U.S. Department of Labor increased by $2.9 billion after the fiscal year to a balance of approximately $20.5 billion as of November 15, 2024.

In August 2024, the State's contracted actuary published the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2023*, which will be used to measure the State's net Other Post-Employment Benefits (OPEB) liability as of June 30, 2024. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2024, of $85.2 billion, an increase of $2.8 billion from the net OPEB liability reported as of June 30, 2023. The report is available on the State Controller's Office website, at www.sco.ca.gov.

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

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

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

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Nine Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE MISCELLANEOUS[2]

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
Total pension liability									
Service cost	$ 1,477,762	$ 1,576,695	$ 1,668,682	$ 1,927,531	$ 1,953,761	$ 2,042,862	$ 2,125,738	$ 2,212,280	$ 2,438,345
Interest on total pension liability	6,670,928	6,970,837	7,220,961	7,381,049	7,571,997	7,970,572	8,288,391	8,603,225	8,752,910
Differences between expected and actual experience	—	693,639	(101,381)	(387,041)	445,743	2,032,459	742,481	628,341	(1,115,641)
Changes of assumptions	—	—	—	5,667,561	(1,377,556)	—	—	—	3,728,965
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)	(7,174,817)
Net change in total pension liability	3,304,059	4,142,949	3,441,398	9,016,393	2,728,096	5,855,155	4,642,694	4,592,822	6,629,762
Total pension liability – beginning	**88,885,115**	**92,189,174**	**96,332,123**	**99,773,521**	**108,789,914**	**111,518,010**	**117,373,165**	**122,015,859**	**126,608,681**
Total pension liability – ending (a)	**$ 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**
Plan fiduciary net position									
Contributions – employer	$ 2,156,312	$ 2,608,785	$ 2,818,406	$ 3,094,941	$ 7,044,360	$ 3,777,484	$ 5,008,537	$ 3,778,435	$ 5,110,276
Contributions – employee	766,896	771,046	801,023	843,772	870,402	942,980	1,005,830	928,152	1,081,816
Net investment income	10,370,838	1,505,042	339,588	7,329,859	6,127,761	5,163,147	4,138,143	19,299,096	(7,836,089)
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)	(7,174,817)
Net plan to plan resource movement	—	(354)	(1,154)	(2,737)	(1,340)	(1,344)	(4,213)	(2,558)	(2,559)
Administrative expense	(86,473)	(76,678)	(41,497)	(98,419)	(112,592)	(57,163)	(118,050)	(87,165)	(64,984)
Other miscellaneous income/(expense)	—	—	—	—	(213,815)	185	—	—	—
Net change in plan fiduciary net position	8,362,942	(290,381)	(1,430,498)	5,594,709	7,848,927	3,634,551	3,516,331	17,064,936	(8,886,357)
Plan fiduciary net position – beginning	**60,017,620**	**68,380,562**	**68,090,181**	**66,659,683**	**72,254,392**	**80,103,319**	**83,737,870**	**87,254,201**	**104,318,730** *
Plan fiduciary net position – ending (b)	**$ 68,380,562**	**$ 68,090,181**	**$ 66,659,683**	**$ 72,254,392**	**$ 80,103,319**	**$ 83,737,870**	**$ 87,254,201**	**$ 104,319,137**	**$ 95,432,373**
State's net pension liability – ending (a) – (b)	**$ 23,808,612**	**$ 28,241,942**	**$ 33,113,838**	**$ 36,535,522**	**$ 31,414,691**	**$ 33,635,295**	**$ 34,761,658**	**$ 22,289,544**	**$ 37,806,070**
Plan fiduciary net position as a percentage of the total pension liability	74.17 %	70.68 %	66.81 %	66.42 %	71.83 %	71.34 %	71.51 %	82.39 %	71.63 %
Covered payroll	$ 10,019,739	$ 10,640,884	$ 11,189,932	$ 11,591,576	$ 12,254,527	$ 12,913,195	$ 13,579,610	$ 12,909,399	$ 14,727,596
State's net pension liability as a percentage of covered payroll	237.62 %	265.41 %	295.93 %	315.19 %	256.35 %	260.47 %	255.98 %	172.66 %	256.70 %

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

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE INDUSTRIAL[2]

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
Total pension liability									
Service cost	$ 92,324	$ 100,006	$ 107,868	$ 124,792	$ 119,521	$ 127,006	$ 131,508	$ 136,918	$ 145,767
Interest on total pension liability	241,278	257,527	273,308	290,058	301,134	324,909	343,896	363,230	374,401
Differences between expected and actual experience	—	26,976	7,009	21,516	(19,063)	106,233	24,610	21,852	(65,431)
Changes of assumptions	—	—	—	245,450	(54,062)	—	—	—	153,761
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)	(255,704)
Net change in total pension liability	186,625	227,480	220,826	504,162	156,847	352,604	279,102	283,812	352,794
Total pension liability – beginning	**3,181,282**	**3,367,907**	**3,595,387**	**3,816,213**	**4,320,375**	**4,477,222**	**4,829,826**	**5,108,928**	**5,392,740**
Total pension liability – ending (a)	**$ 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**
Plan fiduciary net position									
Contributions – employer	$ 88,516	$ 107,238	$ 116,730	$ 123,163	$ 241,062	$ 148,494	$ 244,773	$ 128,161	$ 187,745
Contributions – employee	44,459	49,482	52,775	54,114	58,404	61,338	65,268	58,867	67,664
Net investment income	423,076	62,385	14,444	322,150	272,379	233,027	191,982	911,996	(374,909)
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)	(255,704)
Net plan to plan resource movement	—	30	216	(141)	268	(754)	(1,037)	(663)	281
Administrative expense	(3,583)	(3,252)	(1,758)	(4,282)	(5,014)	(2,558)	(5,383)	(4,090)	(3,084)
Other miscellaneous income/(expense)	—	—	—	—	(9,522)	8	—	—	—
Net change in plan fiduciary net position	405,491	58,854	15,048	317,350	366,894	234,011	274,691	856,083	(378,007)
Plan fiduciary net position – beginning	**2,420,958**	**2,826,449**	**2,885,303**	**2,900,351**	**3,217,701**	**3,584,595**	**3,818,606**	**4,093,297**	**4,950,153** *
Plan fiduciary net position – ending (b)	**$ 2,826,449**	**$ 2,885,303**	**$ 2,900,351**	**$ 3,217,701**	**$ 3,584,595**	**$ 3,818,606**	**$ 4,093,297**	**$ 4,949,380**	**$ 4,572,146**
State's net pension liability – ending (a) – (b)	**$ 541,458**	**$ 710,084**	**$ 915,862**	**$ 1,102,674**	**$ 892,627**	**$ 1,011,220**	**$ 1,015,631**	**$ 443,360**	**$ 1,173,388**
Plan fiduciary net position as a percentage of the total pension liability	83.92 %	80.25 %	76.00 %	74.48 %	80.06 %	79.06 %	80.12 %	91.78 %	79.58 %
Covered payroll	$ 532,490	$ 577,711	$ 625,220	$ 643,295	$ 695,014	$ 728,609	$ 765,840	$ 706,128	$ 802,709
State's net pension liability as a percentage of covered payroll	101.68 %	122.91 %	146.49 %	171.41 %	128.43 %	138.79 %	132.62 %	62.79 %	146.18 %

(continued)

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE SAFETY[2]

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
Total pension liability									
Service cost	$ 402,902	$ 422,634	$ 438,147	$ 497,129	$ 504,383	$ 536,173	$ 553,316	$ 564,198	$ 574,216
Interest on total pension liability	663,219	734,333	786,096	827,412	877,944	951,075	1,012,593	1,072,105	1,110,294
Differences between expected and actual experience	—	(4,150)	(2,235)	(109,901)	(21,592)	227,078	16,473	(33,477)	(238,531)
Changes of assumptions	—	—	—	673,183	(41,225)	—	—	—	455,219
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)	(788,819)
Net change in total pension liability	636,768	683,542	719,581	1,349,088	741,006	1,087,875	905,020	869,129	1,112,379
Total pension liability – beginning	**8,682,750**	**9,626,597**	**10,310,139**	**11,029,720**	**12,378,808**	**13,119,814**	**14,207,689**	**15,112,709**	**15,981,838**
Total pension liability – ending (a)	**$ 9,319,518**	**$ 10,310,139**	**$ 11,029,720**	**$ 12,378,808**	**$ 13,119,814**	**$ 14,207,689**	**$ 15,112,709**	**$ 15,981,838**	**$ 17,094,217**
Plan fiduciary net position									
Contributions – employer	$ 339,232	$ 393,925	$ 401,108	$ 433,232	$ 774,759	$ 523,076	$ 747,441	$ 429,347	$ 561,229
Contributions – employee	196,148	215,482	221,615	231,364	245,021	257,071	267,822	223,408	244,938
Net investment income	1,162,050	175,677	42,258	926,106	797,214	691,911	575,732	2,758,504	(1,131,785)
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)	(788,819)
Net plan to plan resource movement	—	499	548	295	532	1,482	3,907	1,513	950
Administrative expense	(9,945)	(9,200)	(4,966)	(12,264)	(14,565)	(7,524)	(16,047)	(12,272)	(9,314)
Other miscellaneous income/(expense)	—	—	—	—	(27,658)	24	—	—	—
Net change in plan fiduciary net position	1,258,132	307,108	158,136	1,039,998	1,196,799	839,589	901,493	2,666,803	(1,122,801)
Plan fiduciary net position – beginning	**6,583,260**	**7,841,392**	**8,148,500**	**8,306,636**	**9,346,634**	**10,543,433**	**11,383,022**	**12,284,515**	**14,951,366** *
Plan fiduciary net position – ending (b)	**$ 7,841,392**	**$ 8,148,500**	**$ 8,306,636**	**$ 9,346,634**	**$ 10,543,433**	**$ 11,383,022**	**$ 12,284,515**	**$ 14,951,318**	**$ 13,828,565**
State's net pension liability – ending (a) – (b)	**$ 1,478,126**	**$ 2,161,639**	**$ 2,723,084**	**$ 3,032,174**	**$ 2,576,381**	**$ 2,824,667**	**$ 2,828,194**	**$ 1,030,520**	**$ 3,265,652**
Plan fiduciary net position as a percentage of the total pension liability	84.14 %	79.03 %	75.31 %	75.51 %	80.36 %	80.12 %	81.29 %	93.55 %	80.90 %
Covered payroll	$ 1,901,235	$ 2,003,777	$ 2,100,295	$ 2,167,429	$ 2,339,642	$ 2,468,018	$ 2,566,403	$ 2,367,960	$ 2,633,568
State's net pension liability as a percentage of covered payroll	77.75 %	107.88 %	129.65 %	139.90 %	110.12 %	114.45 %	110.20 %	43.52 %	124.00 %

(continued)

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE PEACE OFFICERS AND FIREFIGHTERS[2]

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
Total pension liability									
Service cost	$ 816,836	$ 838,628	$ 861,694	$ 980,897	$ 1,011,482	$ 1,044,955	$ 1,062,486	$ 1,111,888	$ 1,167,715
Interest on total pension liability	2,622,406	2,759,982	2,902,900	3,018,186	3,185,628	3,381,608	3,547,687	3,745,062	3,864,043
Differences between expected and actual experience	—	288,526	18,316	(286,527)	354,089	664,430	172,204	585,665	(805,030)
Changes of assumptions	—	—	—	2,608,752	(25,104)	—	—	—	2,190,080
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,940)	(2,560,165)	(2,735,400)
Net change in total pension liability	1,870,504	2,189,460	1,960,069	4,383,281	2,461,088	2,881,436	2,422,437	2,882,450	3,681,408
Total pension liability – beginning	**34,655,771**	**36,219,196**	**38,408,656**	**40,368,725**	**44,752,006**	**47,213,094**	**50,094,530**	**52,516,967**	**55,399,417**
Total pension liability – ending (a)	**$ 36,526,275**	**$ 38,408,656**	**$ 40,368,725**	**$ 44,752,006**	**$ 47,213,094**	**$ 50,094,530**	**$ 52,516,967**	**$ 55,399,417**	**$ 59,080,825**
Plan fiduciary net position									
Contributions – employer	$ 959,741	$ 1,146,192	$ 1,265,145	$ 1,427,240	$ 3,068,270	$ 1,665,872	$ 3,220,740	$ 1,310,946	$ 2,171,675
Contributions – employee	331,956	366,419	381,185	399,946	421,662	437,937	462,370	423,995	477,347
Net investment income	3,964,754	584,142	137,927	2,954,170	2,522,044	2,175,528	1,812,785	8,602,827	(3,524,276)
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,941)	(2,560,165)	(2,735,400)
Net plan to plan resource movement	—	194	114	1,628	(104)	350	735	(66)	1,076
Administrative expense	(33,334)	(30,069)	(16,295)	(39,395)	(45,950)	(23,765)	(49,832)	(38,396)	(28,764)
Other miscellaneous income/(expense)	—	—	—	—	(87,261)	77	—	—	—
Net change in plan fiduciary net position	3,654,379	369,202	(54,765)	2,805,562	3,813,654	2,046,442	3,086,857	7,739,141	(3,638,342)
Plan fiduciary net position – beginning	**22,713,610**	**26,367,989**	**26,737,191**	**26,682,426**	**29,487,988**	**33,301,642**	**35,348,084**	**38,434,941**	**46,175,076** *
Plan fiduciary net position – ending (b)	**$ 26,367,989**	**$ 26,737,191**	**$ 26,682,426**	**$ 29,487,988**	**$ 33,301,642**	**$ 35,348,084**	**$ 38,434,941**	**$ 46,174,082**	**$ 42,536,734**
State's net pension liability – ending (a) – (b)	**$ 10,158,286**	**$ 11,671,465**	**$ 13,686,299**	**$ 15,264,018**	**$ 13,911,452**	**$ 14,746,446**	**$ 14,082,026**	**$ 9,225,335**	**$ 16,544,091**
Plan fiduciary net position as a percentage of the total pension liability	72.19 %	69.61 %	66.10 %	65.89 %	70.53 %	70.56 %	73.19 %	83.35 %	72.00 %
Covered payroll	$ 3,241,895	$ 3,115,287	$ 3,241,895	$ 3,416,627	$ 3,557,011	$ 3,676,854	$ 3,904,615	$ 3,629,097	$ 4,035,339
State's net pension liability as a percentage of covered payroll	313.34 %	374.65 %	422.17 %	446.76 %	391.10 %	401.06 %	360.65 %	254.20 %	409.98 %

(continued)

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

CALIFORNIA HIGHWAY PATROL

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
Total pension liability									
Service cost	$ 191,730	$ 198,665	$ 210,619	$ 237,064	$ 248,531	$ 257,384	$ 266,192	$ 268,009	$ 292,213
Interest on total pension liability	724,474	764,348	809,691	833,062	878,113	926,056	974,410	1,022,074	1,062,411
Differences between expected and actual experience	—	75,593	125,614	(158,392)	103,283	135,148	120,496	98,575	(178,097)
Changes of assumptions	—	—	—	721,972	12,213	—	—	—	695,673
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)	(695,055)	(739,443)
Net change in total pension liability	455,213	551,545	629,201	1,090,250	663,060	706,290	709,266	693,603	1,132,757
Total pension liability – beginning	**9,604,872**	**10,060,085**	**10,611,630**	**11,240,831**	**12,331,081**	**12,994,141**	**13,700,431**	**14,409,697**	**15,103,300**
Total pension liability – ending (a)	**$ 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**
Plan fiduciary net position									
Contributions – employer	$ 277,702	$ 351,197	$ 375,928	$ 426,603	$ 978,060	$ 507,055	$ 559,585	$ 802,064	$ 628,308
Contributions – employee	83,161	85,791	86,111	91,116	95,482	100,080	103,159	95,784	109,080
Net investment income	1,005,007	146,782	33,918	747,272	639,591	556,379	450,669	2,200,671	(901,987)
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)	(695,055)	(739,443)
Net plan to plan resource movement	—	(214)	292	1,050	330	265	638	1,773	252
Administrative expense	(8,417)	(7,600)	(4,111)	(9,923)	(11,583)	(6,090)	(12,800)	(9,519)	(7,428)
Other miscellaneous income/(expense)	—	—	—	—	(21,997)	20	—	—	—
Net change in plan fiduciary net position	896,462	88,895	(24,585)	712,662	1,100,803	545,411	449,419	2,395,718	(911,218)
Plan fiduciary net position – beginning	**5,759,985**	**6,656,447**	**6,745,342**	**6,720,757**	**7,433,419**	**8,534,222**	**9,079,633**	**9,529,052**	**11,924,803** *
Plan fiduciary net position – ending (b)	**$ 6,656,447**	**$ 6,745,342**	**$ 6,720,757**	**$ 7,433,419**	**$ 8,534,222**	**$ 9,079,633**	**$ 9,529,052**	**$ 11,924,770**	**$ 11,013,585**
State's net pension liability – ending (a) – (b)	**$ 3,403,638**	**$ 3,866,288**	**$ 4,520,074**	**$ 4,897,662**	**$ 4,459,919**	**$ 4,620,798**	**$ 4,880,645**	**$ 3,178,530**	**$ 5,222,472**
Plan fiduciary net position as a percentage of the total pension liability	66.17 %	63.57 %	59.79 %	60.28 %	65.68 %	66.27 %	66.13 %	78.95 %	67.83 %
Covered payroll	$ 765,283	$ 809,610	$ 808,032	$ 851,427	$ 884,197	$ 933,689	$ 948,000	$ 882,119	$ 936,496
State's net pension liability as a percentage of covered payroll	444.76 %	477.55 %	559.39 %	575.23 %	504.40 %	494.90 %	514.84 %	360.33 %	557.66 %

(continued)

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
JUDGES'									
Total pension liability									
Service cost	$ 27,581	$ 27,841	$ 29,314	$ 22,733	$ 19,131	$ 20,073	$ 17,026	$ 17,861	$ 10,345
Interest on total pension liability	140,256	133,181	107,514	115,067	109,395	99,427	79,720	64,481	93,559
Differences between expected and actual experience	—	57,568	(59,421)	(366,200)	(121,259)	86,873	(41,794)	40,006	(92,633)
Changes of assumptions	—	158,646	384,306	(107,670)	(20,879)	153,651	218,684	179,421	(598,096)
Benefit payments, including refunds of employee contributions	(193,935)	(201,868)	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)	(210,491)
Net change in total pension liability	(26,098)	175,368	262,364	(536,510)	(221,435)	138,070	60,402	90,818	(797,316)
Total pension liability – beginning	**3,383,310**	**3,357,212**	**3,532,580**	**3,794,944**	**3,258,434**	**3,036,999**	**3,175,069**	**3,235,471**	**3,326,289**
Total pension liability – ending (a)	**$ 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**
Plan fiduciary net position									
Contributions – employer	$ 191,148	$ 180,910	$ 192,287	$ 204,475	$ 199,241	$ 195,903	$ 243,132	$ 225,824	$ 194,960
Contributions – employee	7,248	3,877	3,559	3,398	3,061	2,679	2,843	2,146	1,956
Net investment income	59	88	193	424	846	1,166	885	163	194
Benefit payments, including refunds of employee contributions	(193,935)	(201,867)	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)	(210,491)
Administrative expense	(1,141)	(1,227)	(642)	(1,771)	(2,106)	(10,032)	(2,270)	(1,731)	(1,677)
Other miscellaneous income/(expense)	—	2,198	2,568	2,395	(1,863)	2,776	2,202	2,462	2,305
Net change in plan fiduciary net position	3,379	(16,021)	(1,384)	8,481	(8,644)	(29,462)	33,558	17,913	(12,753)
Plan fiduciary net position – beginning	**53,820**	**57,199**	**41,178**	**39,794**	**48,275**	**39,631**	**10,169**	**43,727**	**61,640**
Plan fiduciary net position – ending (b)	**$ 57,199**	**$ 41,178**	**$ 39,794**	**$ 48,275**	**$ 39,631**	**$ 10,169**	**$ 43,727**	**$ 61,640**	**$ 48,887**
State's net pension liability – ending (a) – (b)	**$ 3,300,013**	**$ 3,491,402**	**$ 3,755,150**	**$ 3,210,159**	**$ 2,997,368**	**$ 3,164,900**	**$ 3,191,744**	**$ 3,264,649**	**$ 2,480,086**
Plan fiduciary net position as a percentage of the total pension liability	1.70 %	1.17 %	1.05 %	1.48 %	1.30 %	0.32 %	1.35 %	1.85 %	1.93 %
Covered payroll	$ 163,574	$ 28,770	$ 23,537	$ 26,102	$ 24,007	$ 22,117	$ 16,017	$ 13,444	$ 14,061
State's net pension liability as a percentage of covered payroll	2017.44 %	12135.56 %	15954.24 %	12298.52 %	12485.39 %	14309.81 %	19927.23 %	24283.32 %	17638.05 %

(continued)

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019	2020[3]	2021[3]	2022[3]
JUDGES' II									
Total pension liability									
Service cost	$ 78,670	$ 79,641	$ 86,635	$ 97,679	$ 95,843	$ 103,791	$ 114,486	$ 116,782	$ 115,808
Interest on total pension liability	61,044	69,128	78,412	85,654	91,418	103,889	115,517	126,949	120,585
Differences between expected and actual experience	—	(17,319)	(4,546)	(26,382)	(26,875)	30,292	(2,797)	(10,976)	(67,751)
Changes of assumptions	—	(16,619)	—	69,233	(41,763)	—	—	—	(59,394)
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)	(66,739)
Net change in total pension liability	130,764	100,790	138,797	203,778	86,828	201,768	192,659	170,761	42,509
Total pension liability – beginning	**837,198**	**967,962**	**1,068,752**	**1,207,549**	**1,411,327**	**1,498,154**	**1,699,922**	**1,892,581**	**2,063,342**
Total pension liability – ending (a)	**$ 967,962**	**$ 1,068,752**	**$ 1,207,549**	**$ 1,411,327**	**$ 1,498,155**	**$ 1,699,922**	**$ 1,892,581**	**$ 2,063,342**	**$ 2,105,851**
Plan fiduciary net position									
Contributions – employer	$ 57,027	$ 65,629	$ 65,839	$ 67,102	$ 79,699	$ 84,099	$ 91,147	$ 84,147	$ 92,773
Contributions – employee	20,413	22,242	24,598	25,076	27,514	31,375	35,796	34,094	36,529
Net investment income	150,168	(2,402)	20,810	115,057	101,820	106,781	80,074	463,478	(324,365)
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)	(66,739)
Administrative expense	(785)	(1,127)	(732)	(1,682)	(2,370)	(1,477)	(2,552)	(1,703)	(1,842)
Other miscellaneous income/(expense)	—	—	—	—	(5,451)	—	—	—	4
Net change in plan fiduciary net position	217,873	70,301	88,811	183,147	169,417	184,574	169,918	518,022	(263,640)
Plan fiduciary net position – beginning	**795,967**	**1,013,840**	**1,084,141**	**1,172,952**	**1,356,099**	**1,525,515**	**1,710,089**	**1,880,007**	**2,398,029**
Plan fiduciary net position – ending (b)	**$ 1,013,840**	**$ 1,084,141**	**$ 1,172,952**	**$ 1,356,099**	**$ 1,525,516**	**$ 1,710,089**	**$ 1,880,007**	**$ 2,398,029**	**$ 2,134,389**
State's net pension liability/(asset) – ending (a) – (b)	**$ (45,878)**	**$ (15,389)**	**$ 34,597**	**$ 55,228**	**$ (27,361)**	**$ (10,167)**	**$ 12,574**	**$ (334,687)**	**$ (28,538)**
Plan fiduciary net position as a percentage of the total pension liability	104.74 %	101.44 %	97.13 %	96.09 %	101.83 %	100.60 %	99.34 %	116.22 %	101.36 %
Covered payroll	$ 40,476	$ 180,230	$ 192,739	$ 192,786	$ 202,433	$ 220,742	$ 246,968	$ 233,316	$ 242,525
State's net pension liability as a percentage of covered payroll	-113.35 %	-8.54 %	17.95 %	28.65 %	-13.52 %	-4.61 %	5.09 %	-143.45 %	-11.77 %

(continued)

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]	2020[3]	2021[3]	2022[3]
LEGISLATORS'									
Total pension liability									
Service cost	$ 732	$ 769	$ 608	$ 639	$ 542	$ 268	$ 100	$ 101	$ 108
Interest on total pension liability	6,465	6,268	5,978	5,291	4,987	4,873	4,885	4,749	4,299
Differences between expected and actual experience	—	(4,246)	(3,530)	(5,998)	(2,061)	(427)	2,320	(732)	(992)
Changes of assumptions	—	(2,654)	—	7,857	(2,529)	—	—	—	1,024
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)	(7,407)	(7,249)	(6,918)	(7,350)	(6,939)	(6,761)	(6,647)
Net change in total pension liability	(285)	(8,950)	(4,351)	540	(5,979)	(2,636)	366	(2,643)	(2,208)
Total pension liability – beginning	**115,806**	**115,521**	**106,571**	**102,220**	**102,760**	**96,780**	**94,144**	**94,510**	**91,867**
Total pension liability – ending (a)	**$ 115,521**	**$ 106,571**	**$ 102,220**	**$ 102,760**	**$ 96,781**	**$ 94,144**	**$ 94,510**	**$ 91,867**	**$ 89,659**
Plan fiduciary net position									
Contributions – employer	$ 565	$ 590	$ 549	$ 517	$ 467	$ 250	$ 98	$ 78	$ 85
Contributions – employee	113	105	96	94	82	92	22	21	23
Net investment income	15,372	(94)	4,545	5,047	5,486	7,860	7,011	15,099	(12,450)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)	(7,407)	(7,249)	(6,918)	(7,350)	(6,939)	(6,761)	(6,647)
Administrative expense	(362)	(399)	(202)	(575)	(670)	(324)	(550)	(450)	(436)
Other miscellaneous income/(expense)	—	—	—	—	(1,454)	—	2	13	1
Net change in plan fiduciary net position	8,206	(8,885)	(2,419)	(2,166)	(3,007)	528	(356)	8,000	(19,424)
Plan fiduciary net position – beginning	**122,148**	**130,354**	**121,469**	**119,050**	**116,884**	**113,876**	**114,404**	**114,048**	**122,048**
Plan fiduciary net position – ending (b)	**$ 130,354**	**$ 121,469**	**$ 119,050**	**$ 116,884**	**$ 113,877**	**$ 114,404**	**$ 114,048**	**$ 122,048**	**$ 102,624**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,833)**	**$ (14,898)**	**$ (16,830)**	**$ (14,124)**	**$ (17,096)**	**$ (20,260)**	**$ (19,538)**	**$ (30,181)**	**$ (12,965)**
Plan fiduciary net position as a percentage of the total pension liability	112.84 %	113.98 %	116.46 %	113.74 %	117.66 %	121.52 %	120.67 %	132.85 %	114.46 %
Covered payroll	$ 1,471	$ 1,397	$ 1,298	$ 1,270	$ 1,121	$ 684	$ 284	$ 267	$ 290
State's net pension liability as a percentage of covered payroll	-1008.36 %	-1066.43 %	-1296.61 %	-1112.13 %	-1525.07 %	-2961.99 %	-6879.58 %	-11303.75 %	-4470.69 %

(concluded)

Schedule of State Pension Contributions

For the Past Nine Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2015	2016	2017	2018	2019	2020	2021	2022	2023
STATE MISCELLANEOUS[2]									
Actuarially determined contribution	$ 2,421,157	$ 2,718,895	$ 3,078,232	$ 3,397,736	$ 3,631,721	$ 4,006,672	$ 4,324,789	$ 4,160,143	$ 4,452,668
Contributions in relation to the actuarially determined contribution	(2,583,400)	(2,814,126)	(3,098,305)	(3,482,291)	(3,794,379)	(5,032,209)	(3,791,620)	(4,281,402)	(4,918,505)
Contribution deficiency (excess)	**$ (162,243)**	**$ (95,231)**	**$ (20,073)**	**$ (84,555)**	**$ (162,658)**	**$ (1,025,537)**	**$ 533,169**	**$ (121,259)**	**$ (465,837)**
Covered payroll	$ 10,655,117	$ 11,197,607	$ 11,591,576	$ 12,254,527	$ 12,913,195	$ 13,579,610	$ 12,909,399	$ 14,727,596	$ 15,486,977
Contributions as a percentage of covered payroll	24.25 %	25.13 %	26.73 %	28.42 %	29.38 %	37.06 %	29.37 %	29.07 %	31.76 %
STATE INDUSTRIAL[2]									
Actuarially determined contribution	$ 92,024	$ 103,293	$ 116,880	$ 131,131	$ 134,969	$ 153,724	$ 166,535	$ 132,980	$ 157,441
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)	(123,789)	(141,832)	(148,790)	(245,757)	(128,407)	(138,688)	(174,595)
Contribution deficiency (excess)	**$ (12,745)**	**$ (13,301)**	**$ (6,909)**	**$ (10,701)**	**$ (13,821)**	**$ (92,033)**	**$ 38,128**	**$ (5,708)**	**$ (17,154)**
Covered payroll	$ 577,713	$ 625,220	$ 643,295	$ 695,014	$ 728,609	$ 765,840	$ 706,128	$ 802,709	$ 837,312
Contributions as a percentage of covered payroll	18.14 %	18.65 %	19.24 %	20.41 %	20.42 %	32.09 %	18.18 %	17.28 %	20.85 %
STATE SAFETY[2]									
Actuarially determined contribution	$ 341,509	$ 368,444	$ 400,379	$ 435,662	$ 466,765	$ 526,375	$ 553,298	$ 476,457	$ 537,135
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)	(431,991)	(481,479)	(531,360)	(759,505)	(473,147)	(499,621)	(579,316)
Contribution deficiency (excess)	**$ (45,999)**	**$ (36,151)**	**$ (31,612)**	**$ (45,817)**	**$ (64,595)**	**$ (233,130)**	**$ 80,151**	**$ (23,164)**	**$ (42,181)**
Covered payroll	$ 2,003,716	$ 2,100,289	$ 2,167,429	$ 2,339,642	$ 2,468,018	$ 2,566,403	$ 2,367,960	$ 2,633,568	$ 2,637,846
Contributions as a percentage of covered payroll	19.34 %	19.26 %	19.93 %	20.58 %	21.53 %	29.59 %	19.98 %	18.97 %	21.96 %
STATE PEACE OFFICERS AND FIREFIGHTERS[2]									
Actuarially determined contribution	$ 1,086,102	$ 1,197,160	$ 1,343,177	$ 1,462,630	$ 1,581,049	$ 1,755,306	$ 1,871,841	$ 1,262,871	$ 1,850,940
Contributions in relation to the actuarially determined contribution	(1,148,597)	(1,263,436)	(1,431,851)	(1,573,299)	(1,667,839)	(3,234,348)	(1,312,046)	(1,325,451)	(2,071,961)
Contribution deficiency (excess)	**$ (62,495)**	**$ (66,276)**	**$ (88,674)**	**$ (110,669)**	**$ (86,790)**	**$ (1,479,042)**	**$ 559,795**	**$ (62,580)**	**$ (221,021)**
Covered payroll	$ 3,115,364	$ 3,241,763	$ 3,416,627	$ 3,557,011	$ 3,676,854	$ 3,904,615	$ 3,629,097	$ 4,035,339	$ 4,148,789
Contributions as a percentage of covered payroll	36.87 %	38.97 %	41.91 %	44.23 %	45.36 %	82.83 %	36.15 %	32.85 %	49.94 %

(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] Updated based on more current information.

Schedule of State Pension Contributions (continued)

For the Past Nine Fiscal Years[1]
(amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS									
CALIFORNIA HIGHWAY PATROL									
Actuarially determined contribution	$ 323,393	$ 363,634	$ 414,975	$ 447,376	$ 484,056	$ 532,159	$ 574,509	$ 600,841	$ 599,039
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)	(426,014)	(478,354)	(514,683)	(560,538)	(530,587)	(590,087)	(660,340)
Contribution deficiency (excess)	**$ (28,746)**	**$ (13,900)**	**$ (11,039)**	**$ (30,978)**	**$ (30,627)**	**$ (28,379)**	**$ 43,922**	**$ 10,754**	**$ (61,301)**
Covered payroll	$ 809,610	$ 808,032	$ 851,427	$ 884,197	$ 933,689	$ 948,000	$ 882,119	$ 936,496	$ 977,794
Contributions as a percentage of covered payroll	43.49 %	46.72 %	50.04 %	54.10 %	55.12 %	59.13 %	60.15 %	63.01 %	67.53 %
SINGLE-EMPLOYER PLANS									
JUDGES'									
Actuarially determined contribution	$ 1,884,555	$ 463,073	$ 448,636	$ 438,156	$ 415,110	$ 414,849	$ 366,446	$ 352,881	$ 313,118
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)	(202,368)	(197,017)	(194,189)	(241,993)	(224,928)	(193,763)	(207,835)
Contribution deficiency (excess)	**$ 1,880,957**	**$ 459,821**	**$ 246,268**	**$ 241,139**	**$ 220,921**	**$ 172,856**	**$ 141,518**	**$ 159,118**	**$ 105,283**
Covered payroll	$ 167,542	$ 29,771	$ 23,822	$ 27,003	$ 25,748	$ 16,017	$ 13,444	$ 14,061	$ 20,083
Contributions as a percentage of covered payroll	2.15 %	10.92 %	849.50 %	729.61 %	754.19 %	1,510.85 %	1,673.07 %	1,378.02 %	1,034.89 %
JUDGES' II									
Actuarially determined contribution	$ 63,193	$ 58,362	$ 66,951	$ 79,181	$ 75,862	$ 81,782	$ 88,439	$ 89,938	$ 86,154
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)	(55,965)	(73,916)	(76,155)	(83,872)	(78,784)	(81,960)	(73,614)
Contribution deficiency (excess)	**$ 3,211**	**$ (2,114)**	**$ 10,986**	**$ 5,265**	**$ (293)**	**$ (2,090)**	**$ 9,655**	**$ 7,978**	**$ 12,540**
Covered payroll	$ 41,458	$ 186,505	$ 195,066	$ 199,438	$ 217,112	$ 246,968	$ 233,316	$ 242,525	$ 378,328
Contributions as a percentage of covered payroll	144.68 %	32.43 %	28.69 %	37.06 %	35.08 %	33.96 %	33.77 %	33.79 %	19.46 %
LEGISLATORS'									
Actuarially determined contribution	$ 260	$ 141	$ —	$ 20	$ —	$ 101	$ 84	$ 88	$ 48
Contributions in relation to the actuarially determined contribution	(544)	(549)	(516)	(467)	(261)	(100)	(79)	(85)	(44)
Contribution deficiency (excess)	**$ (284)**	**$ (408)**	**$ (516)**	**$ (447)**	**$ (261)**	**$ 1**	**$ 5**	**$ 3**	**$ 4**
Covered payroll	$ 1,397	$ 1,298	$ 1,270	$ 1,121	$ 684	$ 284	$ 267	$ 290	$ 138
Contributions as a percentage of covered payroll	38.94 %	42.30 %	40.63 %	41.66 %	38.16 %	35.21 %	29.59 %	29.31 %	31.80 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Nine Fiscal Years[1]
(amounts in thousands)

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

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

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered payroll:	Pensionable earnings provided by the employer.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2020 Funding Valuation Report.
Asset valuation method	PERF – Fair Value of assets; for details see plan's June 30, 2020 Funding Valuation Report.
	Judges' – Fair Value of Assets
	Judges' II – Fair Value of Assets
	Legislators' – Fair Value of Assets
Inflation	PERF – 2.50%
	Judges' – 2.50%
	Judges' II – 2.50%
	Legislators' – 2.50%
Salary increases	PERF – varies by entry age and service
	Judges' – 2.75%
	Judges' II – 2.75%
	Legislators' – 2.75%
Payroll growth	PERF – 2.75%
	Judges' – 2.75%
	Judges' II – 2.75%
	Legislators' – 2.75%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation:
	PERF – 7.00%, which is used for contribution purposes
	Judges' – 3.00%
	Judges' II – 6.50%
	Legislators' – 5.00%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 adopted by the CalPERS Board and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

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

For the Past Nine Fiscal Years[1]
(amounts in thousands)

	2014[2]	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]
State's proportion of CalSTRS' net pension liability	37.65 %	34.59 %	36.28 %	37.17 %	36.41 %	35.30 %	34.02 %	33.47 %	33.37 %
State's proportionate share of CalSTRS' net pension liability	$ 22,001,531	$ 23,289,391	$ 29,343,626	$ 34,374,816	$ 33,462,419	$ 31,880,645	$ 32,963,596	$ 15,233,348	$ 23,186,783
Plan fiduciary net position as a percentage of the total pension liability	76.52 %	74.02 %	70.04 %	69.46 %	70.99 %	72.56 %	71.82 %	87.21 %	81.25 %

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

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

Schedule of the State's Contributions – CalSTRS

For the Past Nine Fiscal Years[1]
(amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contribution	$ 1,486,004	$ 1,935,288	$ 2,472,993	$ 2,790,444	$ 3,082,316	$ 4,446,836	$ 3,730,902	$ 4,279,964	$ 3,719,874
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288	2,472,993	2,790,444	3,082,316	4,446,836	3,730,902	4,279,964	3,719,874
Annual contribution deficiency/(excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

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

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

State's participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954, 22955 and 22955.1, as well as California Public Resources Code section 6217.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2021.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed period, ending June 30, 2046
Asset valuation method	Adjustment to fair value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.00%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Four Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2019[2,6]	2020[2]	2021[2]	2022[2]
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)[3]				
Total OPEB liability				
Service cost	$ 1,078,364	$ 1,116,519	$ 1,190,049	$ 1,297,725
Interest on total OPEB liability	1,201,673	1,162,741	1,028,924	908,980
Differences between expected and actual experiences[5]	(525,007)	(720,036)	(2,498,623)	831,414
Changes in assumptions	1,213,332	480,992	1,275,481	(6,216,338)
Benefit payments	(856,494)	(910,765)	(962,640)	(1,038,983)
Net change in total OPEB liability	2,111,868	1,129,451	33,191	(4,217,202)
Total OPEB liability – beginning	**29,485,488**	**31,597,356**	**32,726,807**	**32,759,998**
Total OPEB liability – ending (a)	**$ 31,597,356**	**$ 32,726,807**	**$ 32,759,998**	**$ 28,542,796**
Plan fiduciary net position				
Contributions – employer	$ 856,494	$ 910,765	$ 962,640	$ 1,038,983
Contributions – prefunding	71,712	174,235	241,973	537,987
Contributions – employee	71,712	174,235	—	286,986
Net investment income	8,202	9,788	162,795	(228,601)
Benefit payments	(856,494)	(910,765)	(962,640)	(1,038,983)
Administrative expense	(14)	(148)	(229)	(333)
Other expenses	—	—	—	—
Net change in plan fiduciary net position	151,612	358,110	404,539	596,039
Plan fiduciary net position – beginning	**—**	**151,612**	**509,722**	**914,261**
Plan fiduciary net position – ending (b)	**$ 151,612**	**$ 509,722**	**$ 914,261**	**$ 1,510,300**
State's net OPEB liability – ending (a) – (b)	**$ 31,445,744**	**$ 32,217,085**	**$ 31,845,737**	**$ 27,032,496**
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %	1.56 %	2.79 %	5.29 %
Covered payroll	$ 7,317,203	$ 7,701,525	$ 7,477,126	$ 8,705,771
State's net OPEB liability as a percentage of covered payroll	429.75 %	418.32 %	425.91 %	310.51 %

(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, 2022*, and the actual pay-as-you-go contributions allocated to plans.

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

* Restated

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

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]
BARGAINING UNIT 5 PLAN						
Total OPEB liability						
Service cost	$ 168,057	$ 146,042	$ 140,545	$ 159,410	$ 183,703	$ 209,691
Interest on total OPEB liability	179,397	195,713	199,637	204,078	202,901	181,784
Differences between expected and actual experiences[5]	—	(108,271)	41,288	(64,174)	(699,133)	(92,802)
Changes in assumptions	(474,646)	(137,150)	318,292	466,272	531,615	(1,359,809)
Benefit payments	(95,517)	(77,897)	(78,501)	(84,544)	(87,872)	(92,183)
Net change in total OPEB liability	(222,709)	18,437	621,261	681,042	131,214	(1,153,319)
Total OPEB liability – beginning	**4,764,812**	**4,542,103**	**4,560,540**	**5,181,801**	**5,862,843**	**5,994,057**
Total OPEB liability – ending (a)	**$ 4,542,103**	**$ 4,560,540**	**$ 5,181,801**	**$ 5,862,843**	**$ 5,994,057**	**$ 4,840,738**
Plan fiduciary net position						
Contributions – employer	$ 95,517	$ 77,897	$ 78,501	$ 84,544	$ 87,872	$ 92,183
Contributions – prefunding	77,454	59,697	57,567	59,296	1	120,580
Contributions – employee	12,783	4,089	3,943	4,061	—	8,452
Net investment income	21,109	20,988	23,834	16,069	136,197	(102,287)
Benefit payments	(95,517)	(77,897)	(78,501)	(84,544)	(87,872)	(92,183)
Administrative expense	(95)	(144)	(77)	(217)	(188)	(177)
Other expenses	(290)	—	—	—	—	—
Net change in plan fiduciary net position	110,961	84,630	85,267	79,209	136,010	26,568
Plan fiduciary net position – beginning	**135,701**	**246,662**	**331,052** *	**416,319**	**495,528**	**631,538**
Plan fiduciary net position – ending (b)	**$ 246,662**	**$ 331,292**	**$ 416,319**	**$ 495,528**	**$ 631,538**	**$ 658,106**
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**
Plan fiduciary net position as a percentage of the total OPEB liability	5.43 %	7.26 %	8.03 %	8.45 %	10.54 %	13.60 %
Covered payroll	$ 866,040	$ 895,430	$ 942,765	$ 958,694	$ 890,777	$ 950,596
State's net OPEB liability as a percentage of covered payroll	495.99 %	472.31 %	505.48 %	559.86 %	602.00 %	440.00 %

(continued)

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

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]
BARGAINING UNIT 6 PLAN						
Total OPEB liability						
Service cost	$ 609,551	$ 531,916	$ 503,829	$ 535,696	$ 578,629	$ 655,259
Interest on total OPEB liability	574,853	634,360	622,325	608,903	562,522	531,126
Differences between expected and actual experiences[5]	—	(1,186,530)	(460,414)	(354,942)	(1,113,335)	916,117
Changes in assumptions	(1,637,897)	(164,236)	912,754	675,803	1,438,841	(3,595,519)
Benefit payments	(325,344)	(327,604)	(294,213)	(357,726)	(370,922)	(389,079)
Net change in total OPEB liability	(778,837)	(512,094)	1,284,281	1,107,734	1,095,735	(1,882,096)
Total OPEB liability – beginning	**15,990,189**	**15,211,352**	**14,699,258**	**15,983,539**	**17,091,273**	**18,187,008**
Total OPEB liability – ending (a)	**$ 15,211,352**	**$ 14,699,258**	**$ 15,983,539**	**$ 17,091,273**	**$ 18,187,008**	**$ 16,304,912**
Plan fiduciary net position						
Contributions – employer	$ 325,344	$ 327,604	$ 294,213	$ 357,726	$ 370,922	$ 389,079
Contributions – prefunding	146,933	65,245	106,592	129,540	109,211	234,564
Contributions – employee	23,181	65,245	106,592	129,540	—	119,564
Net investment income	15,089	17,235	33,447	24,249	247,525	(209,053)
Benefit payments	(325,344)	(327,604)	(294,213)	(357,726)	(370,922)	(389,079)
Administrative expense	(48)	(128)	(94)	(342)	(343)	(353)
Other expenses	—	—	—	—	—	—
Net change in plan fiduciary net position	185,155	147,597	246,537	282,987	356,393	144,722
Plan fiduciary net position – beginning	**—**	**185,155**	**332,511** *	**579,048**	**862,035**	**1,218,428**
Plan fiduciary net position – ending (b)	**$ 185,155**	**$ 332,752**	**$ 579,048**	**$ 862,035**	**$ 1,218,428**	**$ 1,363,150**
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**
Plan fiduciary net position as a percentage of the total OPEB liability	1.22 %	2.26 %	3.62 %	5.04 %	6.70 %	8.36 %
Covered payroll	$ 2,653,404	$ 2,726,616	$ 2,819,233	$ 2,989,457	$ 2,709,765	$ 2,983,435
State's net OPEB liability as a percentage of covered payroll	566.30 %	526.90 %	546.41 %	542.88 %	626.20 %	500.82 %

(continued)

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

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]
BARGAINING UNIT 9 PLAN[3]						
Total OPEB liability						
Service cost	$ 166,173	$ 142,954	$ 127,060	$ 136,522	$ 155,301	$ 173,027
Interest on total OPEB liability	154,495	174,062	165,399	159,587	144,901	129,982
Differences between expected and actual experiences[5]	—	(334,650)	(88,806)	(55,316)	(308,759)	222,406
Changes in assumptions	(475,991)	(200,549)	145,634	93,540	166,566	(879,542)
Benefit payments	(82,449)	(85,278)	(84,522)	(100,777)	(109,002)	(120,334)
Net change in total OPEB liability	(237,772)	(303,461)	264,765	233,556	49,007	(474,461)
Total OPEB liability – beginning	**4,640,159**	**4,402,387**	**4,098,926**	**4,363,691**	**4,597,247**	**4,646,254**
Total OPEB liability – ending (a)	**$ 4,402,387**	**$ 4,098,926**	**$ 4,363,691**	**$ 4,597,247**	**$ 4,646,254**	**$ 4,171,793**
Plan fiduciary net position						
Contributions – employer	$ 82,449	$ 85,278	$ 84,522	$ 100,777	$ 109,002	$ 120,334
Contributions – prefunding	35,210	5,688	13,311	31,649	28,942	61,871
Contributions – employee	—	5,688	13,311	31,649	—	33,871
Net investment income	3,630	3,246	4,789	3,793	44,511	(42,399)
Benefit payments	(82,449)	(85,278)	(84,522)	(100,777)	(109,002)	(120,334)
Administrative expense	(11)	(22)	(14)	(55)	(62)	(69)
Other expenses	—	—	—	—	—	—
Net change in plan fiduciary net position	38,829	14,600	31,397	67,036	73,391	53,274
Plan fiduciary net position – beginning	**—**	**38,829**	**53,391** *	**84,788**	**151,824**	**225,215**
Plan fiduciary net position – ending (b)	**$ 38,829**	**$ 53,429**	**$ 84,788**	**$ 151,824**	**$ 225,215**	**$ 278,489**
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**
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %	1.94 %	3.30 %	4.85 %	6.68 %
Covered payroll	$ 1,366,302	$ 1,376,743	$ 1,502,529	$ 1,596,949	$ 1,498,878	$ 1,770,060
State's net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %	284.78 %	278.37 %	294.96 %	219.95 %

(continued)

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

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]	2020[2]	2021[2]	2022[2]
BARGAINING UNIT 12 PLAN[3]						
Total OPEB liability						
Service cost	$ 167,689	$ 146,732	$ 129,311	$ 134,649	$ 137,010	$ 145,385
Interest on total OPEB liability	154,036	172,744	162,948	154,691	135,412	118,610
Differences between expected and actual experiences[5]	—	(362,455)	(97,510)	(149,086)	(348,753)	227,285
Changes in assumptions	(433,966)	(166,573)	152,849	21,353	165,715	(760,893)
Benefit payments	(110,860)	(114,235)	(120,833)	(127,671)	(132,052)	(139,651)
Net change in total OPEB liability	(223,101)	(323,787)	226,765	33,936	(42,668)	(409,264)
Total OPEB liability – beginning	**4,540,951**	**4,317,850**	**3,994,063**	**4,220,828**	**4,254,764**	**4,212,096**
Total OPEB liability – ending (a)	**$ 4,317,850**	**$ 3,994,063**	**$ 4,220,828**	**$ 4,254,764**	**$ 4,212,096**	**$ 3,802,832**
Plan fiduciary net position						
Contributions – employer	$ 110,860	$ 114,235	$ 120,833	$ 127,671	$ 132,052	$ 139,651
Contributions – prefunding	1,076	8,280	16,268	26,329	31,233	63,357
Contributions – employee	1,076	8,280	16,268	26,329	—	31,356
Net investment income	872	1,051	3,552	2,974	36,034	(37,298)
Benefit payments	(110,860)	(114,235)	(120,833)	(127,671)	(132,052)	(139,651)
Administrative expense	(4)	(9)	(9)	(43)	(52)	(59)
Other expenses	—	—	—	—	—	—
Net change in plan fiduciary net position	3,020	17,602	36,079	55,589	67,215	57,356
Plan fiduciary net position – beginning	**7,186**	**10,206**	**27,788** *	**63,867**	**119,456**	**186,671**
Plan fiduciary net position – ending (b)	**$ 10,206**	**$ 27,808**	**$ 63,867**	**$ 119,456**	**$ 186,671**	**$ 244,027**
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**
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %	1.51 %	2.81 %	4.43 %	6.42 %
Covered payroll	$ 627,283	$ 676,752	$ 723,964	$ 748,801	$ 673,098	$ 805,625
State's net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %	574.19 %	552.26 %	598.04 %	441.74 %

(continued)

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

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2,4]	2019[2, 4]	2020[2]	2021[2]	2022[2]
OTHER FUNDED PLANS[3]						
Total OPEB liability						
Service cost	$ 92,991	$ 501,028	$ 528,502	$ 546,766	$ 597,140	$ 674,238
Interest on total OPEB liability	74,923	523,258	581,170	570,727	508,583	464,427
Differences between expected and actual experiences[5]	—	(1,033,520)	(221,816)	(517,882)	(1,092,126)	1,023,794
Changes in assumptions	(197,059)	(304,299)	506,543	305,572	811,046	(3,182,977)
Benefit payments	(46,820)	(288,774)	(364,207)	(371,323)	(401,508)	(436,182)
Net change in total OPEB liability	(75,965)	(602,307)	1,030,192	533,860	423,135	(1,456,700)
Total OPEB liability – beginning	**2,116,405**	**12,699,917**	**14,074,765**	**15,104,957**	**15,638,817**	**16,061,952**
Total OPEB liability – ending (a)	**$ 2,040,440**	**$ 12,097,610**	**$ 15,104,957**	**$ 15,638,817**	**$ 16,061,952**	**$ 14,605,252**
Plan fiduciary net position						
Contributions – employer	$ 46,820	$ 288,774	$ 364,207	$ 371,323	$ 401,508	$ 436,182
Contributions – prefunding	10,442	32,759	71,376	124,916	127,043	262,488
Contributions – employee	2,323	32,759	71,376	124,916	—	137,487
Net investment income	1,589	5,578	16,116	13,386	163,783	(164,073)
Benefit payments	(46,820)	(288,774)	(364,207)	(371,323)	(401,508)	(436,182)
Administrative expense	(7)	(47)	(43)	(194)	(230)	(263)
Other expenses	—	—	—	—	—	—
Net change in plan fiduciary net position	14,347	71,049	158,825	263,024	290,596	235,639
Plan fiduciary net position – beginning	**4,836**	**57,956** *	**128,914** *	**287,739**	**550,763**	**841,359**
Plan fiduciary net position – ending (b)	**$ 19,183**	**$ 129,005**	**$ 287,739**	**$ 550,763**	**$ 841,359**	**$ 1,076,998**
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**
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %	1.90 %	3.52 %	5.24 %	7.37 %
Covered payroll	$ 851,868	$ 3,469,855	$ 4,162,765	$ 4,363,200	$ 3,875,766	$ 4,500,952
State's net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %	355.95 %	345.80 %	392.71 %	300.56 %

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

For the Past Six 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]
UNFUNDED PLAN[3]						
Total OPEB liability						
Service cost	$ 2,805,040	$ 2,008,794	$ 651,082	$ 695,884	$ 826,026	$ 828,893
Interest on total OPEB liability	2,112,139	1,959,522	576,896	547,791	447,744	350,040
Differences between expected and actual experiences[5]	—	(4,164,211)	(41,161)	(665,066)	(1,270,439)	1,171,850
Changes in assumptions	(6,610,919)	(1,766,620)	863,523	583,238	476,706	(4,210,439)
Benefit payments	(1,457,705)	(1,352,652)	(546,742)	(512,702)	(522,538)	(530,610)
Net change in total OPEB liability	(3,151,445)	(3,315,167)	1,503,598	649,145	(42,501)	(2,390,266)
Total OPEB liability – beginning	**64,144,931**	**50,334,009**	**15,556,199**	**17,059,797**	**17,708,942**	**17,666,441**
Total OPEB liability – ending (a)	**$ 60,993,486**	**$ 47,018,842**	**$ 17,059,797**	**$ 17,708,942**	**$ 17,666,441**	**$ 15,276,175**
Plan fiduciary net position						
Contributions – employer	$ 1,457,705	$ 1,352,652	$ 546,742	$ 512,702	$ 522,538	$ 530,610
Contributions – prefunding	—	—	—	—	—	—
Contributions – employee	—	—	—	—	—	—
Net investment income	—	—	—	—	—	—
Benefit payments	(1,457,705)	(1,352,652)	(546,742)	(512,702)	(522,538)	(530,610)
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**
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
State's net OPEB liability as a percentage of covered payroll	486.95 %	434.35 %	506.77 %	500.76 %	507.20 %	431.63 %

Schedule of OPEB Contributions

For the Past Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]	2020[3]	2021	2022	2023
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN[2]						
Actuarially determined contribution	$ —	$ —	$ 1,543,231	$ 1,584,331	$ 1,336,683	$ 1,453,078
Contributions in relation to the actuarially determined contribution	—	—	(1,077,554)	(1,204,613)	(1,576,969)	(1,369,690)
Contribution deficiency (excess)	**$ —**	**$ —**	**$ 465,677**	**$ 379,718**	**$ (240,286)**	**$ 83,388**
Covered payroll	$ —	$ —	$ 7,701,525	$ 7,477,126	$ 8,705,771	$ 8,705,889
Contributions as a percentage of covered payroll	—	—	13.99 %	16.11 %	18.11 %	15.73 %
BARGAINING UNIT 5 PLAN						
Actuarially determined contribution	$ 204,361	$ 210,626	$ 229,183	$ 240,749	$ 239,989	$ 230,075
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)	(139,230)	(87,872)	(212,763)	(143,430)
Contribution deficiency	**$ 19,905**	**$ 73,151**	**$ 89,953**	**$ 152,877**	**$ 27,226**	**$ 86,645**
Covered payroll	$ 915,549	$ 942,765	$ 958,694	$ 890,777	$ 950,596	$ 993,733
Contributions as a percentage of covered payroll	20.15 %	14.58 %	14.52 %	9.86 %	22.38 %	14.43 %
BARGAINING UNIT 6 PLAN						
Actuarially determined contribution	$ 743,757	$ 671,262	$ 676,241	$ 772,683	$ 681,831	$ 769,312
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)	(477,342)	(480,133)	(623,643)	(513,110)
Contribution deficiency	**$ 240,121**	**$ 226,201**	**$ 198,899**	**$ 292,550**	**$ 58,188**	**$ 256,202**
Covered payroll	$ 2,805,093	$ 2,819,233	$ 2,989,457	$ 2,709,765	$ 2,983,435	$ 2,996,198
Contributions as a percentage of covered payroll	17.95 %	15.79 %	15.97 %	17.72 %	20.90 %	17.13 %
BARGAINING UNIT 9 PLAN[2]						
Actuarially determined contribution	$ 207,027	$ 191,109	$ 194,353	$ 212,002	$ 182,301	$ 205,694
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)	(131,031)	(137,944)	(182,205)	(164,497)
Contribution deficiency	**$ 81,556**	**$ 88,138**	**$ 63,322**	**$ 74,058**	**$ 96**	**$ 41,197**
Covered payroll	$ 1,444,410	$ 1,502,529	$ 1,596,949	$ 1,498,878	$ 1,770,060	$ 1,796,847
Contributions as a percentage of covered payroll	8.69 %	6.85 %	8.21 %	9.20 %	10.29 %	9.15 %

(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 Six Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]	2020[3]	2021	2022	2023
BARGAINING UNIT 12 PLAN[2]						
Actuarially determined contribution	$ 217,883	$ 197,202	$ 198,316	$ 203,358	$ 169,461	$ 190,550
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)	(153,368)	(160,882)	(203,007)	(175,199)
Contribution deficiency (excess)	**$ 98,515**	**$ 59,444**	**$ 44,948**	**$ 42,476**	**$ (33,546)**	**$ 15,351**
Covered payroll	$ 663,143	$ 723,870	$ 748,801	$ 673,098	$ 805,625	$ 824,956
Contributions as a percentage of covered payroll	18.00 %	19.03 %	20.48 %	23.90 %	25.20 %	21.24 %
OTHER FUNDED PLANS[2]						
Actuarially determined contribution	$ 109,630	$ 608,960	$ 707,352	$ 756,965	$ 645,590	$ 738,895
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)	(492,373)	(522,778)	(698,669)	(593,704)
Contribution deficiency (excess)	**$ 48,566**	**$ 242,910**	**$ 214,979**	**$ 234,187**	**$ (53,079)**	**$ 145,191**
Covered payroll	$ 900,567	$ 3,595,234	$ 4,363,200	$ 3,875,766	$ 4,500,952	$ 5,075,978
Contributions as a percentage of covered payroll	6.78 %	10.18 %	11.28 %	13.49 %	15.52 %	11.70 %
UNFUNDED PLAN[2]						
Actuarially determined contribution	$ 3,199,223	$ 2,552,923	$ 977,820	$ 944,654	$ 915,632	$ 1,056,808
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)	(512,702)	(504,813)	(530,610)	(527,794)
Contribution deficiency	**$ 1,651,234**	**$ 1,059,900**	**$ 465,118**	**$ 439,841**	**$ 385,022**	**$ 529,014**
Covered payroll	$ 13,241,681	$ 11,391,811	$ 3,536,386	$ 3,483,142	$ 3,539,212	$ 3,805,373
Contributions as a percentage of covered payroll	11.69 %	13.11 %	14.50 %	14.49 %	14.99 %	13.87 %

(concluded)

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

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

Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2022.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets; for details see the June 30, 2022 Actuarial Valuation Report
Inflation	2.30%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2023, increasing to 7.00% in 2024, grading down to 4.50% in 2029 to 2037, and 4.25% for 2038 and later years.
	Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% on and after 2038.
	Dental coverage: 0.03% in 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and thereafter.
Salary increases	Varies by entry age and service
Investment rate of return	6.00%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.
Mortality	Mortality rates are based on the 2021 CalPERS Experience Study adopted by the CalPERS Board. Post-retirement mortality rates include 15 years of projected ongoing mortality improvements using 80% of scale MP-2020 published by the Society of Actuaries.

(concluded)

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state bridges, roadways, and high-speed rail). Under the modified approach, the State does not report depreciation expense for infrastructure assets but capitalizes all costs that add to the capacity and efficiency of state-owned bridges, roads, and the high-speed rail system. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2023, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling $83.0 billion; land purchased for highway projects totaling $15.3 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling $10.0 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling $6.5 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2023, there were no donations of infrastructure land, and relinquishments were $9 million of state highway infrastructure (completed highway projects) and $2 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation (FAST) Act required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection,* the *Caltrans Bridge Element Inspection Manual, National Tunnel Inspection Standards, Specifications for the National Tunnel Inventory,* and the *Tunnel Operations Maintenance Inspection and Evaluation Manual.*

The State's established condition baseline for fiscal year 2022-23 is to have at least 90% of the State's bridge deck area in fair or better condition.

The following table shows the State's established condition baseline and actual statewide bridge condition for the last three fiscal years:

Fiscal Year Ended June 30	Established Condition[1]	Actual Condition
2021	90.0% Fair or Better	95.7% Fair or Better
2022	90.0% Fair or Better	94.1% Fair or Better
2023	90.0% Fair or Better	93.7% Fair or Better

[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 State's actual bridge condition as of June 30, 2023:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	6,401	116,723,528	45.36 %
Fair	5,643	124,507,704	48.38
Poor	560	16,116,249	6.26
Total	**12,604**	**257,347,481**	**100.00 %**

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway's pavement condition by the following descriptions:

- Excellent/good condition – few potholes or cracks
- Fair condition – moderate number of potholes or cracks
- Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered "distressed lane miles" if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State's established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date[1]	Established Condition Baseline Distressed Lane Miles (maximum)[2]	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
April 2022	18,000	6,872	13.6 %
July 2023	18,000	6,980	13.8
September 2024	18,000	7,453	14.7

[1] Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.
[2] The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

The following table provides details on the State's actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	32,788	—
Fair	10,365	—
Poor	7,453	7,453
Total	**50,606**	**7,453**

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State's scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

1. Bridges

The following table shows the State's budgeted and actual preservation cost information for the State's bridges for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)[1]	Actual Preservation Costs (in millions)[1]
2019	$ 298	$ 292
2020	228	228
2021	257	248
2022	215	200
2023	254	164

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

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

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2023

(amounts in thousands)

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

	Federal				Transportation			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES								
Corporation tax	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Intergovernmental	128,307,708	128,307,708	128,307,708	—	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—	—	—	—	—
Insurance gross premiums tax	—	—	—	—	—	—	—	—
Vehicle license fees	—	—	—	—	—	—	—	—
Motor vehicle fuel tax	—	—	—	—	9,592,558	8,705,462	9,549,259	843,797
Personal income tax	—	—	—	—	—	—	—	—
Retail sales and use taxes	—	—	—	—	—	—	—	—
Other major taxes and licenses	—	—	—	—	8,685,701	8,494,737	7,836,203	(658,534)
Other revenues	113,114	113,114	113,114	—	1,403,598	694,405	628,339	(66,066)
Total revenues	**128,420,822**	**128,420,822**	**128,420,822**	**—**	**19,681,857**	**17,894,604**	**18,013,801**	**119,197**
EXPENDITURES								
Business, consumer services, and housing	1,072,895	1,072,895	1,072,895	—	126,864	131,137	119,745	(11,392)
Transportation	4,248,821	4,248,821	4,248,821	—	10,222,551	17,844,342	16,222,937	(1,621,405)
Natural resources and environmental protection	409,472	409,472	409,472	—	198,000	202,402	190,311	(12,091)
Health and human services	105,626,983	105,626,983	105,626,983	—	9,402	9,479	8,136	(1,343)
Corrections and rehabilitation	95,301	95,301	95,301	—	—	—	—	—
Education	7,175,287	7,175,287	7,175,287	—	8,899	10,951	9,431	(1,520)
General government:								
Tax relief	—	—	—	—	—	—	—	—
Debt service	—	—	—	—	29,209	30,056	29,774	(282)
Other general government	2,428,594	2,428,594	2,428,594	—	540,457	544,900	529,246	(15,654)
Total expenditures	**121,057,353**	**121,057,353**	**121,057,353**	**—**	**11,135,382**	**18,773,267**	**17,109,580**	**(1,663,687)**
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	—	—	501,903	—	—	—	21,862,637	—
Transfers to other funds	—	—	(7,865,357)	—	—	—	(23,373,813)	—
Other additions (deductions)	—	—	—	—	—	—	816,639	—
Total other financing sources (uses)	**—**	**—**	**(7,363,454)**	**—**	**—**	**—**	**(694,537)**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	15	—	—	—	209,684	—
Fund balances – beginning	**—**	**—**	**659**	**—**	**—**	**—**	**9,318,754**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 674**	**$ —**	**$ —**	**$ —**	**$ 9,528,438**	**$ —**

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2023
(amounts in thousands)

	Environmental and Natural Resources				Health Care Related Programs			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES								
Corporation tax	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—	—	—	—	—
Insurance gross premiums tax	—	—	—	—	—	—	—	—
Vehicle license fees	—	—	—	—	—	—	—	—
Motor vehicle fuel tax	—	—	—	—	—	—	—	—
Personal income tax	—	—	—	—	—	—	—	—
Retail sales and use taxes	—	—	—	—	—	—	—	—
Other major taxes and licenses	173,523	173,523	173,523	—	2,074,055	2,074,055	2,074,055	—
Other revenues	8,790,055	8,790,055	8,790,055	—	135,832,783	135,832,783	135,832,783	—
Total revenues	**8,963,578**	**8,963,578**	**8,963,578**	**—**	**137,906,838**	**137,906,838**	**137,906,838**	**—**
EXPENDITURES								
Business, consumer services, and housing	298,110	302,271	253,362	(48,909)	—	—	—	—
Transportation	455,301	455,332	454,090	(1,242)	—	—	—	—
Natural resources and environmental protection	6,741,265	7,543,705	6,775,783	(767,922)	(788)	548	292	(256)
Health and human services	66,567	88,441	66,859	(21,582)	127,332,212	138,132,482	138,111,484	(20,998)
Corrections and rehabilitation	—	—	—	—	—	—	—	—
Education	2,908	2,909	2,908	(1)	713,286	713,286	713,286	—
General government:								
Tax relief	—	—	—	—	—	—	—	—
Debt service	5,072	5,072	5,072	—	(7,987)	11,266	11,266	—
Other general government	187,114	213,513	197,498	(16,015)	(511,445)	(515,564)	(515,564)	—
Total expenditures	**7,756,337**	**8,611,243**	**7,755,572**	**(855,671)**	**127,525,278**	**138,342,018**	**138,320,764**	**(21,254)**
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	—	—	1,346,558	—	—	—	138,860	—
Transfers to other funds	—	—	(577,174)	—	—	—	(2,089)	—
Other additions (deductions)	—	—	1,564,709	—	—	—	273,993	—
Total other financing sources (uses)	**—**	**—**	**2,334,093**	**—**	**—**	**—**	**410,764**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	3,542,099	—	—	—	(3,162)	—
Fund balances – beginning	**—**	**—**	**16,977,499**	**—**	**—**	**—**	**3,228,796** *	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 20,519,598**	**$ —**	**$ —**	**$ —**	**$ 3,225,634**	**$ —**

* Restated

(concluded)

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

June 30, 2023
(amounts in thousands)

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

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State's budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs' expenditures on a budgetary basis, adjustments for encumbrances are made under "other general government," except for Environmental and Natural Resources where adjustments for encumbrances are made under each program's expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance

with Government Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of $3.8 billion in the General Fund, $93 million in the Transportation Fund, and $222 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of $45 million in the General Fund, $384 million in the Federal Fund, and $728 million in the Environmental and Natural Resources Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of $2.8 billion in the General Fund, $481 million in the Transportation Fund, $585 million in the Environmental and Natural Resources Fund, and $1 million in the Health Care Related Programs Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused a $1.4 billion decrease in the General Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008; however, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused a decrease of $1.1 billion in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of $44.4 billion in the General Fund and $3.6 billion in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused a decrease of $7.0 billion in the General Fund, a decrease of $38.1 billion in the Federal Fund, an increase of $2.1 billion in the Transportation Fund, a decrease of $177 million in the Environmental and Natural Resources Fund, and a decrease of $13 million in the Health Care Related Programs Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of $4.1 billion in the General Fund, $11.1 billion in the Federal Fund, $417 million in the Transportation Fund, $4 million in the Environmental and Natural Resources Fund, and $1.2 billion in the Health Care Related Programs Fund. The large decrease in the General Fund primarily consists of $4.8 billion for medical assistance and $470 million for workers' compensation claims. The large decrease in the Federal Fund consists of $8.0 billion for unemployment programs, and $3.4 billion for coronavirus relief. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds

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Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

(continued)

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

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

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

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

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

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

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

(amounts in thousands)

	Special Revenue							
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax	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	$ 2,364,797	$ 2,984,675	$ 2,841,565	$ 3,892,699	$ 1,167,777	$ 80,516	$ 4,956,590	$ 18,288,619
Investments	—	829,133	—	—	868,011	235,300	—	1,932,444
Receivables (net)	176,613	194,744	580,362	5,410	167,010	219,585	316,626	1,660,350
Due from other funds	47,932	2,444,699	62,928	201,858	6,705	—	676,424	3,440,546
Due from other governments	8,867	3,565	38,254	—	37,839	—	29,720	118,245
Interfund receivables	187,387	64,994	23,220	41,886	49,643	—	509,589	876,719
Loans receivable	70,938	2,841,558	765	1,380	1,636	—	62,473	2,978,750
Other assets	—	—	—	—	99,153	—	—	99,153
Total assets	**$ 2,856,534**	**$ 9,363,368**	**$ 3,547,094**	**$ 4,143,233**	**$ 2,397,774**	**$ 535,401**	**$ 6,551,422**	**$ 29,394,826**
LIABILITIES								
Accounts payable	$ 133,689	$ 19,356	$ 90,456	$ 5,587	$ 234,639	$ 11	$ 277,655	$ 761,393
Due to other funds	38,653	5,842	21,365	91,544	55,016	—	24,579	236,999
Due to component units	—	—	29,481	—	—	—	7,608	37,089
Due to other governments	10,030	226,859	342,890	3,944,153	109,445	—	551,322	5,184,699
Interfund payables	25,129	—	—	—	—	—	15,071	40,200
Revenues received in advance	64,083	991	—	—	197,116	—	100,117	362,307
Deposits	—	—	26,281	—	390,699	—	98,852	515,832
Other liabilities	32,829	208	7	—	115,762	—	33,608	182,414
Total liabilities	**304,413**	**253,256**	**510,480**	**4,041,284**	**1,102,677**	**11**	**1,108,812**	**7,320,933**
DEFERRED INFLOWS OF RESOURCES	—	—	281,063	—	1,898	—	46,189	329,150
Total liabilities and deferred inflows of resources	**304,413**	**253,256**	**791,543**	**4,041,284**	**1,104,575**	**11**	**1,155,001**	**7,650,083**
FUND BALANCES								
Nonspendable	—	—	—	—	95,021	—	—	95,021
Restricted	1,824,613	8,884,139	2,755,551	37,029	950,250	535,390	4,958,882	19,945,854
Committed	727,508	225,973	—	64,920	169,991	—	437,558	1,625,950
Assigned	—	—	—	—	77,937	—	—	77,937
Unassigned	—	—	—	—	—	—	(19)	(19)
Total fund balances	**2,552,121**	**9,110,112**	**2,755,551**	**101,949**	**1,293,199**	**535,390**	**5,396,421**	**21,744,743**
Total liabilities, deferred inflows of resources, and fund balances	**$ 2,856,534**	**$ 9,363,368**	**$ 3,547,094**	**$ 4,143,233**	**$ 2,397,774**	**$ 535,401**	**$ 6,551,422**	**$ 29,394,826**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2023

(amounts in thousands)

	Debt Service			Capital Projects						
	No Place Like Home Debt Service	**Transportation Debt Service**	**Total Nonmajor Debt Service**	**Higher Education Construction**	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
ASSETS										
Cash and pooled investments	$ 84,828	$ —	$ 84,828	$ 207,487	$ 39,464	$ 725,162	$ —	$ 208,065	$ 1,180,178	$ 19,553,625
Investments	—	—	—	—	—	—	—	—	—	1,932,444
Receivables (net)	—	—	—	76	—	—	—	1,893	1,969	1,662,319
Due from other funds	1,108	—	1,108	1,707	368	5,584	—	8,362	16,021	3,457,675
Due from other governments	—	—	—	—	—	1,480	—	29	1,509	119,754
Interfund receivables	—	—	—	—	—	—	—	4,400	4,400	881,119
Loans receivable	—	—	—	—	—	—	—	228,347	228,347	3,207,097
Other assets	—	—	—	—	—	—	—	—	—	99,153
Total assets	**$ 85,936**	**$ —**	**$ 85,936**	**$ 209,270**	**$ 39,832**	**$ 732,226**	**$ —**	**$ 451,096**	**$ 1,432,424**	**$ 30,913,186**
LIABILITIES										
Accounts payable	$ 202	$ —	$ 202	$ —	$ 449	$ —	$ —	$ 8,896	$ 9,345	$ 770,940
Due to other funds	20	—	20	—	—	2,918	—	2,874	5,792	242,811
Due to component units	—	—	—	—	—	—	—	—	—	37,089
Due to other governments	—	—	—	—	—	—	—	68	68	5,184,767
Interfund payables	—	—	—	—	—	—	—	—	—	40,200
Revenues received in advance	—	—	—	—	—	—	—	—	—	362,307
Deposits	—	—	—	—	—	—	—	—	—	515,832
Other liabilities	—	—	—	—	—	—	—	—	—	182,414
Total liabilities	**222**	**—**	**222**	**—**	**449**	**2,918**	**—**	**11,838**	**15,205**	**7,336,360**
DEFERRED INFLOWS OF RESOURCES	—	—	—	—	—	—	—	3,449	3,449	332,599
Total liabilities and deferred inflows of resources	**222**	**—**	**222**	**—**	**449**	**2,918**	**—**	**15,287**	**18,654**	**7,668,959**
FUND BALANCES										
Nonspendable	—	—	—	—	—	—	—	—	—	95,021
Restricted	85,714	—	85,714	209,270	39,383	729,308	—	353,287	1,331,248	21,362,816
Committed	—	—	—	—	—	—	—	82,522	82,522	1,708,472
Assigned	—	—	—	—	—	—	—	—	—	77,937
Unassigned	—	—	—	—	—	—	—	—	—	(19)
Total fund balances	**85,714**	**—**	**85,714**	**209,270**	**39,383**	**729,308**	**—**	**435,809**	**1,413,770**	**23,244,227**
Total liabilities, deferred inflows of resources, and fund balances	**$ 85,936**	**$ —**	**$ 85,936**	**$ 209,270**	**$ 39,832**	**$ 732,226**	**$ —**	**$ 451,096**	**$ 1,432,424**	**$ 30,913,186**

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2023

(amounts in thousands)

	Special Revenue			Special Revenue				
	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	$ —	$ 1,702,918	$ —	$ —	$ —	$ —	$ —	$ 1,702,918
Sales and use taxes	—	—	—	18,912,155	—	—	—	18,912,155
Motor vehicle excise taxes	78,978	57,914	—	—	—	—	—	136,892
Other taxes	1,054	822,967	1,939,380	—	—	—	—	2,763,401
Intergovernmental	—	—	—	318	820,490	—	—	820,808
Licenses and permits	874,263	15,592	200	3,429,382	—	—	140,089	4,459,526
Charges for services	52,046	2,607	857	—	56,168	—	299,036	410,714
Fees	1,823,260	266,497	400	—	495,433	—	1,617,490	4,203,080
Penalties	14,510	268	—	153	193,410	—	211,387	419,728
Investment and interest	45,304	57,867	13,934	18,810	22,217	5,985	83,965	248,082
Escheat	3	—	—	—	39,599	—	—	39,602
Other	15,764	60,426	(4,376)	—	151,225	470,366	1,478,375	2,171,780
Total revenues	**2,905,182**	**2,987,056**	**1,950,395**	**22,360,818**	**1,778,542**	**476,351**	**3,830,342**	**36,288,686**
EXPENDITURES								
Current:								
General government	957,134	793,597	112,246	6,252,488	3,840,237	1,194	1,665,684	13,622,580
Education	25,818	255	141,914	—	—	—	7,342	175,329
Health and human services	606,280	2,085,658	1,761,796	13,756,220	—	—	1,022,335	19,232,289
Natural resources and environmental protection	40,204	76,259	72,750	—	—	—	79,864	269,077
Business, consumer services, and housing	827,912	1,106,894	19,117	7,384	173	—	17,538	1,979,018
Transportation	7,174	—	13,257	—	—	—	1,979	22,410
Corrections and rehabilitation	—	557	5,568	2,295,337	—	—	56	2,301,518
Capital outlay	34,128	—	718	—	11,726	—	13,432	60,004
Debt service:								
Bond, commercial paper, and lease principal retirement	49,994	167,091	722	—	31,536	644,351	12,825	906,519
Interest and fiscal charges	5,831	1,179	167	2	21,043	55,867	2,148	86,237
Total expenditures	**2,554,475**	**4,231,490**	**2,128,255**	**22,311,431**	**3,904,715**	**701,412**	**2,823,203**	**38,654,981**
Excess (deficiency) of revenues over (under) expenditures	350,707	(1,244,434)	(177,860)	49,387	(2,126,173)	(225,061)	1,007,139	(2,366,295)
OTHER FINANCING SOURCES (USES)								
General obligation bonds and commercial paper issued	—	424,845	—	—	—	—	—	424,845
Refunding debt issued	—	39,280	—	—	—	218,300	—	257,580
Payment to refund long-term debt	—	(37,408)	—	—	—	—	—	(37,408)
Premium on bonds issued	—	2,627	—	—	—	7,972	—	10,599
Proceeds from leases	32,565	—	718	—	11,726	—	13,432	58,441
Transfers in	102,245	2,880,766	11,808	1	2,332,897	—	165,436	5,493,153
Transfers out	(19,298)	(164,004)	(17,416)	(45,017)	(2,264)	—	(139,803)	(387,802)
Total other financing sources (uses)	**115,512**	**3,146,106**	**(4,890)**	**(45,016)**	**2,342,359**	**226,272**	**39,065**	**5,819,408**
Net change in fund balances	466,219	1,901,672	(182,750)	4,371	216,186	1,211	1,046,204	3,453,113
Fund balances – beginning	**2,085,902**	**7,208,440**	**2,938,301**	**97,578**	**1,077,013**	**534,179**	**4,350,217**	**18,291,630**
Fund balances – ending	**$ 2,552,121**	**$ 9,110,112**	**$ 2,755,551**	**$ 101,949**	**$ 1,293,199**	**$ 535,390**	**$ 5,396,421**	**$ 21,744,743**

(continued)

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

Nonmajor Governmental Funds

Year Ended June 30, 2023
(amounts in thousands)

	Debt Service			Capital Projects						
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service	Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
REVENUES										
Personal income taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,702,918
Sales and use taxes	—	—	—	—	—	—	—	—	—	18,912,155
Motor vehicle excise taxes	—	—	—	—	—	—	—	—	—	136,892
Other taxes	—	—	—	—	—	—	—	—	—	2,763,401
Intergovernmental	—	—	—	—	—	—	—	—	—	820,808
Licenses and permits	—	—	—	—	—	—	—	—	—	4,459,526
Charges for services	—	—	—	—	—	—	—	—	—	410,714
Fees	—	—	—	—	—	—	—	—	—	4,203,080
Penalties	—	—	—	—	—	—	—	—	—	419,728
Investment and interest	3,062	—	3,062	5,413	58	14,481	3	1,300	21,255	272,399
Escheat	—	—	—	—	—	—	—	—	—	39,602
Other	—	—	—	—	—	—	—	1,835	1,835	2,173,615
Total revenues	**3,062**	**—**	**3,062**	**5,413**	**58**	**14,481**	**3**	**3,135**	**23,090**	**36,314,838**
EXPENDITURES										
Current:										
General government	307	—	307	—	52,485	—	—	19,248	71,733	13,694,620
Education	—	—	—	—	—	1,128,957	—	—	1,128,957	1,304,286
Health and human services	—	—	—	—	—	—	—	—	—	19,232,289
Natural resources and environmental protection	—	—	—	—	—	—	—	29,636	29,636	298,713
Business, consumer services, and housing	—	—	—	—	—	—	—	5,509	5,509	1,984,527
Transportation	—	—	—	—	—	—	—	—	—	22,410
Corrections and rehabilitation	—	—	—	—	—	—	—	—	—	2,301,518
Capital outlay	—	—	—	293,040	773	9,518	—	17,850	321,181	381,185
Debt service:										
Bond, commercial paper, and lease principal retirement	82,060	744,333	826,393	350,425	107,535	1,512,335	10,650	61,145	2,042,090	3,775,002
Interest and fiscal charges	58,604	639,255	697,859	3,047	73	14,824	268	79	18,291	802,387
Total expenditures	**140,971**	**1,383,588**	**1,524,559**	**646,512**	**160,866**	**2,665,634**	**10,918**	**133,467**	**3,617,397**	**43,796,937**
Excess (deficiency) of revenues over (under) expenditures	(137,909)	(1,383,588)	(1,521,497)	(641,099)	(160,808)	(2,651,153)	(10,915)	(130,332)	(3,594,307)	(7,482,099)
OTHER FINANCING SOURCES (USES)										
General obligation bonds and commercial paper issued	—	—	—	330,730	175,160	1,226,900	—	91,205	1,823,995	2,248,840
Refunding debt issued	—	—	—	312,570	—	1,376,525	—	—	1,689,095	1,946,675
Payment to refund long-term debt	—	—	—	—	—	—	—	—	—	(37,408)
Premium on bonds issued	—	—	—	32,202	14,673	123,035	—	416	170,326	180,925
Proceeds from leases	—	—	—	—	—	—	—	—	—	58,441
Transfers in	140,003	1,383,588	1,523,591	—	—	—	1,971	56,047	58,018	7,074,762
Transfers out	—	—	—	—	—	(937)	—	(2,186)	(3,123)	(390,925)
Total other financing sources (uses)	**140,003**	**1,383,588**	**1,523,591**	**675,502**	**189,833**	**2,725,523**	**1,971**	**145,482**	**3,738,311**	**11,081,310**
Net change in fund balances	2,094	—	2,094	34,403	29,025	74,370	(8,944)	15,150	144,004	3,599,211
Fund balances – beginning	**83,620**	**—**	**83,620**	**174,867**	**10,358**	**654,938 ***	**8,944**	**420,659**	**1,269,766**	**19,645,016**
Fund balances – ending	**$ 85,714**	**$ —**	**$ 85,714**	**$ 209,270**	**$ 39,383**	**$ 729,308**	**$ —**	**$ 435,809**	**$ 1,413,770**	**$ 23,244,227**

* Restated

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds[1]

Year Ended June 30, 2023
(amounts in thousands)

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

[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, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, Health Care Related Programs Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, Environmental and Natural Resources Fund, and Health Care Related Programs Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Annual Comprehensive Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the Department of Technology.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2023
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	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	$ —	$ 1,590,041	$ 239,398	$ 403,619	$ 8,811	$ 61,599	$ 72,410	$ 771,363	$ 3,147,241
Restricted assets:									
Cash and pooled investments	1,193,575	—	—	—	—	—	—	—	1,193,575
Contracts and installments receivable	564,176	—	—	—	—	—	—	—	564,176
Receivables (net)	—	1,611	3,814	6,356	—	4,911	1,042	88,845	106,579
Due from other funds	231,241	67,443	207,452	2,268	—	59,187	253,419	15,825	836,835
Due from other governments	—	—	1,969	197	—	16,787	—	20,111	39,064
Prepaid items	—	15,013	166,384	1,426	2,000	692	3,222	1,465	190,202
Inventories	—	—	24,332	58,671	—	—	721	19,946	103,670
Total current assets	1,988,992	1,674,108	643,349	472,537	10,811	143,176	330,814	917,555	6,181,342
Noncurrent assets:									
Restricted assets:									
Cash and pooled investments	106,788	—	—	—	—	—	—	—	106,788
Contracts and installments receivable	7,643,992	—	—	—	—	—	—	—	7,643,992
Receivables (net)	—	—	2,624	—	—	—	—	4,797	7,421
Interfund receivables	—	—	—	—	—	—	—	40,856	40,856
Loans receivable	—	—	—	—	—	—	—	4,396	4,396
Long-term prepaid charges	143	—	—	—	—	—	—	—	143
Capital assets:									
Land	—	—	—	—	—	—	—	2,080	2,080
Buildings and other depreciable property	—	211	175,156	219,879	2,977	160,361	33,436	82,564	674,584
Intangible assets – amortizable	—	—	246,798	7,564	349,281	33,041	12,176	92,497	741,357
Less: accumulated depreciation/amortization	—	(211)	(177,707)	(166,557)	(33,852)	(142,098)	(38,107)	(107,177)	(665,709)
Construction/development in progress	2,405,575	—	—	11,310	—	—	—	1,273	2,418,158
Total noncurrent assets	10,156,498	—	246,871	72,196	318,406	51,304	7,505	121,286	10,974,066
Total assets	**12,145,490**	**1,674,108**	**890,220**	**544,733**	**329,217**	**194,480**	**338,319**	**1,038,841**	**17,155,408**
DEFERRED OUTFLOWS OF RESOURCES	94,792	—	299,006	74,801	—	118,876	—	299,577	887,052
Total assets and deferred outflows of resources	**$ 12,240,282**	**$ 1,674,108**	**$ 1,189,226**	**$ 619,534**	**$ 329,217**	**$ 313,356**	**$ 338,319**	**$ 1,338,418**	**$ 18,042,460**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2023
(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	$ 46,388	$ 49	$ 95,252	$ 13,071	$ —	$ 37,245	$ 30,283	$ 271,734	$ 494,022
Due to other funds	44,967	158,791	47,254	3,735	—	756	1,210	435,306	692,019
Due to other governments	24,820	954	3,458	—	—	—	8	2,521	31,761
Revenues received in advance	—	1,511,436	17,094	2,934	—	—	1,147	76,843	1,609,454
Deposits	—	—	1,149	—	—	—	—	—	1,149
Contracts and notes payable	—	—	1,351	—	—	13,753	19,264	—	34,368
Interest payable	97,758	—	—	—	—	—	—	—	97,758
Current portion of long-term obligations	593,723	—	20,882	4,528	—	6,676	—	15,735	641,544
Other current liabilities	10,040	—	10,812	2,946	—	—	16	—	23,814
Total current liabilities	817,696	1,671,230	197,252	27,214	—	58,430	51,928	802,139	3,625,889
Noncurrent liabilities:									
Interfund payables	3,211,902	3,019	28,349	1,142	37,650	4,556	298,150	—	3,584,768
Compensated absences payable	—	—	97,126	14,534	—	44,495	—	45,147	201,302
Workers' compensation benefits payable	—	290	28,118	20,580	—	136	—	1,220	50,344
Lease liability	—	—	171,062	—	—	5,084	—	50,608	226,754
Subscription liability	—	—	—	—	—	52	—	1,290	1,342
Revenue bonds payable	7,991,925	—	—	—	—	—	—	—	7,991,925
Net other postemployment benefits liability	—	—	576,699	202,081	—	228,554	—	395,775	1,403,109
Net pension liability	—	—	555,751	81,596	—	222,532	—	631,466	1,491,345
Other noncurrent liabilities	—	—	—	—	—	14,469	6,874	—	21,343
Total noncurrent liabilities	11,203,827	3,309	1,457,105	319,933	37,650	519,878	305,024	1,125,506	14,972,232
Total liabilities	**12,021,523**	**1,674,539**	**1,654,357**	**347,147**	**37,650**	**578,308**	**356,952**	**1,927,645**	**18,598,121**
DEFERRED INFLOWS OF RESOURCES	41,562	—	204,708	122,406	—	84,160	—	148,399	601,235
Total liabilities and deferred inflows of resources	**12,063,085**	**1,674,539**	**1,859,065**	**469,553**	**37,650**	**662,468**	**356,952**	**2,076,044**	**19,199,356**
NET POSITION									
Net investment in capital assets	—	—	243,775	72,196	318,405	14,673	—	557	649,606
Restricted – expendable:									
Construction	177,197	—	—	—	—	—	—	—	177,197
Total expendable	177,197	—	—	—	—	—	—	—	177,197
Unrestricted	—	(431)	(913,614)	77,785	(26,838)	(363,785)	(18,633)	(738,183)	(1,983,699)
Total net position (deficit)	**177,197**	**(431)**	**(669,839)**	**149,981**	**291,567**	**(349,112)**	**(18,633)**	**(737,626)**	**(1,156,896)**
Total liabilities, deferred inflows of resources, and net position	**$ 12,240,282**	**$ 1,674,108**	**$ 1,189,226**	**$ 619,534**	**$ 329,217**	**$ 313,356**	**$ 338,319**	**$ 1,338,418**	**$ 18,042,460**

(concluded)

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

Internal Service Funds

Year Ended June 30, 2023

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
OPERATING REVENUES									
Services and sales	$ —	$ 1,418,603	$ 793,961	$ 374,083	$ —	$ 468,875	$ 732,211	$ 1,449,907	$ 5,237,640
Investment and interest	31,278	—	25	—	—	—	—	75	31,378
Rent	329,270	—	1,470	—	—	—	—	257	330,997
Total operating revenues	**360,548**	**1,418,603**	**795,456**	**374,083**	**—**	**468,875**	**732,211**	**1,450,239**	**5,600,015**
OPERATING EXPENSES									
Personal services	—	1,313	306,574	95,922	—	37,968	—	150,815	592,592
Supplies	—	—	—	2,565	—	—	29,513	—	32,078
Services and charges	3,936	1,418,920	426,431	224,996	301	371,766	683,979	1,054,297	4,184,626
Depreciation	—	—	37,657	10,140	28,960	22,329	4,328	20,996	124,410
Interest expense	307,543	—	—	—	—	399	—	—	307,942
Amortization of long-term prepaid charges	38	—	—	—	—	—	—	—	38
Total operating expenses	**311,517**	**1,420,233**	**770,662**	**333,623**	**29,261**	**432,462**	**717,820**	**1,226,108**	**5,241,686**
Operating income (loss)	49,031	(1,630)	24,794	40,460	(29,261)	36,413	14,391	224,131	358,329
NONOPERATING REVENUES (EXPENSES)									
Investment and interest income	—	—	—	270	—	818	—	2,744	3,832
Interest expense and fiscal charges	—	—	(3,787)	(96)	—	(500)	—	(8,041)	(12,424)
Other	6,327	—	—	(748)	—	(1,453)	—	—	4,126
Total nonoperating revenues (expenses)	**6,327**	**—**	**(3,787)**	**(574)**	**—**	**(1,135)**	**—**	**(5,297)**	**(4,466)**
Income (loss) before transfers	55,358	(1,630)	21,007	39,886	(29,261)	35,278	14,391	218,834	353,863
Gain on early extinguishment of debt	22,783	—	—	—	—	—	—	—	22,783
Transfers in	—	—	70,189	—	—	27,286	—	5,946	103,421
Transfers out	—	—	(4,584)	—	—	—	(765)	(32,060)	(37,409)
Change in net position	78,141	(1,630)	86,612	39,886	(29,261)	62,564	13,626	192,720	442,658
Total net position (deficit) – beginning	**99,056**	**1,199**	**(756,451)**	**110,095**	**320,828**	**(411,676)**	**(32,259)**	**(930,346)**	**(1,599,554)**
Total net position (deficit) – ending	**$ 177,197**	**$ (431)**	**$ (669,839)**	**$ 149,981**	**$ 291,567**	**$ (349,112)**	**$ (18,633)**	**$ (737,626)**	**$ (1,156,896)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2023

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	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	$ 17,771	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 17,771
Receipts from interfund services provided	1,362,445	1,691,337	838,684	381,788	—	476,879	673,581	1,818,857	7,243,571
Payments to suppliers	(1,647)	(1,433,490)	(451,951)	(222,185)	—	(361,132)	(691,248)	(1,030,327)	(4,191,980)
Payments to employees	—	(1,358)	(365,291)	(113,904)	—	(113,519)	—	(333,113)	(927,185)
Payments for interfund services used	—	—	—	(17,505)	(589)	—	—	—	(18,094)
Other receipts (payments)	(375,057)	(74)	(22,171)	(54)	—	5,241	(15,011)	9,764	(397,362)
Net cash provided by (used in) operating activities	**1,003,512**	**256,415**	**(729)**	**28,140**	**(589)**	**7,469**	**(32,678)**	**465,181**	**1,726,721**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Changes in interfund receivables	—	—	—	—	—	577		(9,760)	(9,183)
Changes in interfund payables and loans payable	692,498	(170)	(1,094)	(1,092)	—	(2,660)	72,243	(795)	758,930
Interest paid	—	—	—	(96)	—	—	—	(1)	(97)
Transfers in	901,083	—	70,189	—	—	27,286	—	446	999,004
Transfers out	(3,906)	—	(4,584)	—	—	—	(765)	(26,612)	(35,867)
Net cash provided by (used in) noncapital financing activities	**1,589,675**	**(170)**	**64,511**	**(1,188)**	**—**	**25,203**	**71,478**	**(36,722)**	**1,712,787**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition of capital assets	(1,572,506)	—	(26,172)	(7,058)	(346,517)	(25,248)	(1,735)	(28,450)	(2,007,686)
Proceeds from sale of capital assets	—	—	1,077	15	346,517	2,535	—	614	350,758
Proceeds from long-term capital financing	—	—	1,691	—	—	—	—	8,515	10,206
Payment on long-term capital financing	—	—	(11,236)	—	—	(1,540)	—	(3,183)	(15,959)
Proceeds from revenue bonds	886,174	—	—	—	—	—	—	—	886,174
Retirement of revenue bonds	(1,294,870)	—	—	—	—	—	—	—	(1,294,870)
Interest paid	—	—	(3,787)	—	—	(500)	—	(8,035)	(12,322)
Net cash used in capital and related financing activities	**(1,981,202)**	**—**	**(38,427)**	**(7,043)**	**—**	**(24,753)**	**(1,735)**	**(30,539)**	**(2,083,699)**
CASH FLOWS FROM INVESTING ACTIVITIES									
Change in loans receivable	—	—	—	—	—	—	—	(5)	(5)
Earnings on investments	—	—	—	182	—	818	—	2,744	3,744
Net cash provided by investing activities	**—**	**—**	**—**	**182**	**—**	**818**	**—**	**2,739**	**3,739**
Net increase (decrease) in cash and pooled investments	611,985	256,245	25,355	20,091	(589)	8,737	37,065	400,659	1,359,548
Cash and pooled investments – beginning	**688,378**	**1,333,796**	**214,043**	**383,528**	**9,400**	**52,862**	**35,345**	**370,704**	**3,088,056**
Cash and pooled investments – ending	**$ 1,300,363**	**$ 1,590,041**	**$ 239,398**	**$ 403,619**	**$ 8,811**	**$ 61,599**	**$ 72,410**	**$ 771,363**	**$ 4,447,604**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2023
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	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)	$ 49,031	$ (1,630)	$ 24,794	$ 40,460	$ (29,261)	$ 36,413	$ 14,391	$ 224,131	$ 358,329
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation	—	—	37,657	10,140	28,960	22,329	4,328	20,996	124,410
Amortization of premiums and discounts	(124,045)	—	—	—	—	—	—	—	(124,045)
Amortization of long-term prepaid charges	38	—	—	—	—	—	—	—	38
Other	9,115	—	—	(54)	—	—	—	—	9,061
Change in account balances:									
Receivables	—	2,048	(856)	259	—	(1,107)	(254)	(67,186)	(67,096)
Due from other funds	(30,595)	18,189	60,187	(703)	—	10,129	(56,451)	55,515	56,271
Due from other governments	—	—	(379)	47	—	(2,356)	1,000	6,324	4,636
Prepaid items	—	(6)	(12,488)	1,799	—	514	9,205	1,556	580
Inventories	—	—	(18,330)	(891)	—	—	145	(2,815)	(21,891)
Contracts and installments receivable	1,072,166	—	—	—	—	—	—	—	1,072,166
Leases receivable	—	—	(2,624)	—	—	—	—	335	(2,289)
Deferred outflow of resources	22,783	—	(140,290)	(26,064)	—	(48,976)	—	(137,908)	(330,455)
Accounts payable	(623)	(14,564)	5,298	(3,046)	(155)	10,519	12,894	25,229	35,552
Due to other funds	4,193	55,498	(15,573)	2,354	(133)	(1,018)	(2,896)	332,869	375,294
Due to other governments	—	(61)	(19,796)	—	—	—	(8,960)	(213)	(29,030)
Deposits	—	—	(1,216)	—	—	—	—	—	(1,216)
Contracts and notes payable	—	—	(1,489)	—	—	2,451	(1,062)	—	(100)
Interest payable	(762)	—	—	—	—	—	—	—	(762)
Revenues received in advance	(1,475)	196,999	2,094	(243)	—	—	971	47,085	245,431
Other current liabilities	3,686	(13)	709	(2,003)	—	—	(20)	3,653	6,012
Benefits payable	—	—	—	—	—	—	—	(2)	(2)
Compensated absences payable	—	(130)	(586)	(922)	—	(1,949)	—	(3,329)	(6,916)
Other noncurrent liabilities	—	85	126,975	(27,720)	—	8,847	(5,969)	72,651	174,869
Deferred inflow of resources	—	—	(44,816)	34,727	—	(28,327)	—	(113,710)	(152,126)
Total adjustments	954,481	258,045	(25,523)	(12,320)	28,672	(28,944)	(47,069)	241,050	1,368,392
Net cash provided by (used in) operating activities	**$ 1,003,512**	**$ 256,415**	**$ (729)**	**$ 28,140**	**$ (589)**	**$ 7,469**	**$ (32,678)**	**$ 465,181**	**$ 1,726,721**
									(concluded)
Noncash investing, capital, and financing activities									
Transfers of construction work-in-progress to state departments	$ 891,279	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 891,279
Miscellaneous noncash activities transactions	—	—	—	87	—	—	—	—	87

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Nonmajor Enterprise Funds

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

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

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

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

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

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2023
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
ASSETS						
Current assets:						
Cash and pooled investments	$ 202,073	$ 88,828	$ 362,868	$ 1,195	$ 253,719	$ 908,683
Restricted assets:						
Cash and pooled investments	750,719	64,369	—	60,805	—	875,893
Due from other governments	190,373	18,933	—	—	—	209,306
Receivables (net)	—	4,192	33,911	105,495	585	144,183
Due from other funds	12,175	21,179	—	—	6,427	39,781
Due from other governments	43,086	43,963	87	—	108	87,244
Prepaid items	—	—	—	—	30	30
Inventories	—	—	—	—	6,332	6,332
Total current assets	1,198,426	241,464	396,866	167,495	267,201	**2,271,452**
Noncurrent assets:						
Restricted assets:						
Loans receivable	4,532,783	727,092	—	—	—	5,259,875
Investments	—	—	11,291	—	—	11,291
Interfund receivables	2,933	—	—	—	3,682	6,615
Loans receivable	578,855	1,350,225	835,342	—	45,133	2,809,555
Capital assets:						
Land	—	—	444	—	829	1,273
Buildings and other depreciable property	—	—	16,260	—	10,070	26,330
Intangible assets – amortizable	—	—	—	717	24,803	25,520
Less: accumulated depreciation/amortization	—	—	(16,260)	(191)	(12,103)	(28,554)
Construction/development in progress	—	—	—	—	106	106
Other noncurrent assets	—	—	8,432	—	—	8,432
Total noncurrent assets	5,114,571	2,077,317	855,509	526	72,520	8,120,443
Total assets	**6,312,997**	**2,318,781**	**1,252,375**	**168,021**	**339,721**	**10,391,895**
DEFERRED OUTFLOWS OF RESOURCES	—	—	5,520	11,962	16,824	34,306
Total assets and deferred outflows of resources	**$ 6,312,997**	**$ 2,318,781**	**$ 1,257,895**	**$ 179,983**	**$ 356,545**	**$ 10,426,201**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2023
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
LIABILITIES						
Current liabilities:						
Accounts payable	$ —	$ —	$ 1	$ 12,104	$ 5,944	$ 18,049
Due to other funds	1,669	20,157	447	—	837	23,110
Due to other governments	—	—	105	—	44	149
Revenues received in advance	4	—	—	—	32	36
Interest payable	17,222	796	14,869	—	—	32,887
Current portion of long-term obligations	114,304	8,016	27,830	477	1,512	152,139
Total current liabilities	133,199	28,969	43,252	12,581	8,369	**226,370**
Noncurrent liabilities:						
Interfund payables	—	—	432	—	21,720	22,152
Compensated absences payable	—	—	—	—	13,070	13,070
Workers' compensation benefits payable	—	—	—	—	4,378	4,378
Lease liability	—	—	—	356	18,462	18,818
Subscription liability	—	—	—	8	407	415
General obligation bonds payable	—	—	671,317	—	—	671,317
Revenue bonds payable	1,493,758	64,273	401,610	—	—	1,959,641
Net other postemployment benefits liability	—	—	6,292	5,530	18,525	30,347
Net pension liability	—	—	13,464	5,838	27,061	46,363
Other noncurrent liabilities	—	—	4,093	—	21,636	25,729
Total noncurrent liabilities	1,493,758	64,273	1,097,208	11,732	125,259	2,792,230
Total liabilities	**1,626,957**	**93,242**	**1,140,460**	**24,313**	**133,628**	**3,018,600**
DEFERRED INFLOWS OF RESOURCES	—	—	8,933	30,295	7,379	46,607
Total liabilities and deferred inflows of resources	**1,626,957**	**93,242**	**1,149,393**	**54,608**	**141,007**	**3,065,207**
NET POSITION						
Net investment in capital assets	—	—	685	—	1,384	2,069
Restricted – expendable:						
Debt service	500,118	—	—	—	—	500,118
Security for revenue bonds	3,097,871	—	—	—	—	3,097,871
Other purposes	—	2,225,539	107,817	125,375	141,900	2,600,631
Total expendable	3,597,989	2,225,539	107,817	125,375	141,900	6,198,620
Unrestricted	1,088,051	—	—	—	72,254	1,160,305
Total net position	**4,686,040**	**2,225,539**	**108,502**	**125,375**	**215,538**	**7,360,994**
Total liabilities, deferred inflows of resources, and net position	**$ 6,312,997**	**$ 2,318,781**	**$ 1,257,895**	**$ 179,983**	**$ 356,545**	**$ 10,426,201**

(concluded)

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

Nonmajor Enterprise Funds

Year Ended June 30, 2023

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
OPERATING REVENUES						
Services and sales	$ 12,140	$ —	$ 1,384	$ 1,195	$ 113,912	$ 128,631
Investment and interest	53,435	28,007	49,255	—	1,775	132,472
Other	—	—	2,744	—	284	3,028
Total operating revenues	**65,575**	**28,007**	**53,383**	**1,195**	**115,971**	**264,131**
OPERATING EXPENSES						
Personal services	1,178	18,713	1,131	—	17,296	38,318
Supplies	—	—	—	—	61,795	61,795
Services and charges	5,543	—	17,227	5,355	63,720	91,845
Depreciation	—	—	—	190	3,146	3,336
Interest expense	—	—	32,082	—	—	32,082
Other	1,087	7,799	—	—	—	8,886
Total operating expenses	**7,808**	**26,512**	**50,440**	**5,545**	**145,957**	**236,262**
Operating income (loss)	57,767	1,495	2,943	(4,350)	(29,986)	27,869
NONOPERATING REVENUES (EXPENSES)						
Donations and grants	37,996	113,877	—	—	—	151,873
Investment and interest income	18,079	2,883	—	3,383	14,079	38,424
Interest expense and fiscal charges	(39,140)	(1,540)	—	(1,001)	(83)	(41,764)
Other	—	—	(242)	2,008	—	1,766
Total nonoperating revenues (expenses)	16,935	115,220	(242)	4,390	13,996	150,299
Income (loss) before capital contributions and transfers	74,702	116,715	2,701	40	(15,990)	178,168
Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—
Change in net position	74,702	116,715	2,701	40	(15,990)	178,168
Total net position – beginning	**4,611,338**	**2,108,824**	**105,801** *	**125,335** *	**231,528**	**7,182,826**
Total net position – ending	**$ 4,686,040**	**$ 2,225,539**	**$ 108,502**	**$ 125,375**	**$ 215,538**	**$ 7,360,994**

* Restated

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2023

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Electric Power	Other Enterprise Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/employers	$ 46,314	$ 29,199	$ 181,732	$ —	$ 25,636	$ 282,881
Receipts from interfund services provided	—	—	—	1,195	106,717	107,912
Payments to suppliers	(6,135)	(28,711)	(18,259)	(938)	(79,794)	(133,837)
Payments to employees	—	—	(1,131)	(4,031)	(7,548)	(12,710)
Payments for interfund services used	(256)	—	(432)	—	(25,998)	(26,686)
Claims paid to other than employees	—	(108,162)	—	—	—	(108,162)
Other payments	(350,722)	—	(201,578)	—	(49,622)	(601,922)
Net cash provided by (used in) operating activities	**(310,799)**	**(107,674)**	**(39,668)**	**(3,774)**	**(30,609)**	**(492,524)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Changes in notes and leases receivable	—	—	—	—	(64)	(64)
Changes in interfund receivables and loans receivable	989	—	—	—	1,927	2,916
Changes in interfund payables and loans payable	—	—	432	—	64	496
Proceeds from general obligation bonds	—	—	169,568	—	—	169,568
Retirement of general obligation bonds	—	—	(29,955)	—	—	(29,955)
Proceeds from revenue bonds	602,511	—	89,959	—	—	692,470
Retirement of revenue bonds	(92,820)	(6,040)	(25,145)	—	—	(124,005)
Interest paid	(54,053)	(3,394)	—	—	(7)	(57,454)
Grants received	33,164	115,160	—	—	—	148,324
Other receipts (payments)	—	—	—	(49,058)	—	(49,058)
Net cash provided by (used in) noncapital financing activities	**489,791**	**105,726**	**204,859**	**(49,058)**	**1,920**	**753,238**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	—	—	—	—	(21,266)	(21,266)
Proceeds from sale of capital assets	—	—	—	—	11	11
Proceeds from long-term capital financing	—	—	—	—	19,233	19,233
Payment on long-term capital financing	—	—	—	(194)	—	(194)
Interest paid	—	—	—	—	(76)	(76)
Net cash used in capital and related financing activities	**—**	**—**	**—**	**(194)**	**(2,098)**	**(2,292)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from maturity and sale of investments	—	—	8,271	—	—	8,271
Earnings on investments	12,294	2,193	—	1,967	14,079	30,533
Net cash provided by investing activities	**12,294**	**2,193**	**8,271**	**1,967**	**14,079**	**38,804**
Net increase (decrease) in cash and pooled investments	191,286	245	173,462	(51,059)	(16,708)	297,226
Cash and pooled investments – beginning	**761,506**	**152,952**	**189,406**	**113,059**	**270,427**	1,487,350
Cash and pooled investments – ending	**$ 952,792**	**$ 153,197**	**$ 362,868**	**$ 62,000**	**$ 253,719**	**$ 1,784,576**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2023
(amounts in thousands)

	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)	$ 57,767	$ 1,495	$ 2,943	$ (4,350)	$ (29,986)	$ 27,869
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	—	—	—	190	3,146	3,336
Provisions and allowances	—	—	1	—	—	1
Amortization of premiums and discounts	—	—	(1,031)	—	—	(1,031)
Other	(16,671)	—	(333)	—	—	(17,004)
Change in account balances:						
Receivables	—	—	(2,819)	—	40	(2,779)
Due from other funds	(256)	—	—	—	(2,799)	(3,055)
Due from other governments	(2,235)	1,192	—	—	178	(865)
Prepaid items	—	—	—	—	(9)	(9)
Inventories	—	—	—	—	(634)	(634)
Other current assets	—	—	1,021	—	—	1,021
Loans receivable	(351,077)	(108,162)	(31,908)	—	18,947	(472,200)
Deferred outflow of resources	—	—	(9,153)	(337)	(7,950)	(17,440)
Accounts payable	—	—	543	(105)	(3,178)	(2,740)
Due to other funds	1,673	(2,199)	(1,718)	—	(1,787)	(4,031)
Due to other governments	—	—	—	—	(258)	(258)
Interest payable	—	—	728	—	—	728
Revenues received in advance	—	—	—	—	(17)	(17)
Other current liabilities	—	—	421	—	(7,795)	(7,374)
Compensated absences payable	—	—	—	—	(258)	(258)
Other noncurrent liabilities	—	—	5,063	672	9,783	15,518
Deferred inflows of resources	—	—	(3,426)	156	(8,032)	(11,302)
Total adjustments	(368,566)	(109,169)	(42,611)	576	(623)	(520,393)
Net cash provided by (used in) operating activities	**$ (310,799)**	**$ (107,674)**	**$ (39,668)**	**$ (3,774)**	**$ (30,609)**	**$ (492,524)**
						(concluded)
Noncash investing, capital, and financing activities						
Miscellaneous noncash activities transactions	$ —	$ —	$ 1,690	$ —	$ —	$ 1,690

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

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

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

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

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

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

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

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

(continued)

(continued)

The **Defined Benefit Other Postemployment Benefits (OPEB) Plan** provides defined benefit OPEB, other than pensions, to employees after separation from service:

> The **Annuitants' Health Care Coverage Fund** is administered by CalPERS as the California Employers' Retiree Benefit Trust Fund (CERBTF), an agent multiple-employer plan for employers to prefund health, dental, and other nonpension postemployment benefits for state and local government annuitants, and to pay related administrative costs.

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Teachers' Health Benefits Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

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

June 30, 2023

(amounts in thousands)

	Defined Benefit Pension Plans					Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust	
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation		Total
ASSETS									
Cash and pooled investments	$ 2,315,379	$ 329,090	$ 5,390	$ 5,516	$ 1,454	$ 11,387	$ 17,838	$ 14,260	$ 2,700,314
Investments, at fair value:									
Short-term	1,252,634	10,039,798	46,805	52	3	46,714	2,936,194	15,478	14,337,678
Equity securities	200,861,111	124,435,441	—	1,738,697	34,379	12,256,248	14,284,298	61,977	353,672,151
Debt securities	123,736,430	44,243,745	—	580,402	61,300	5,316,261	2,507,530	37,308	176,482,976
Real estate	68,759,263	46,560,615	—	—	—	—	—	—	115,319,878
Securities lending collateral	6,735,918	27,276,497	—	—	—	—	—	—	34,012,415
Other	71,065,455	92,862,467	—	—	—	—	4,645,387	—	168,573,309
Total investments	472,410,811	345,418,563	46,805	2,319,151	95,682	17,619,223	24,373,409	114,763	862,398,407
Receivables (net)	16,561,426	7,181,174	1,372	10,561	55	127,657	37,084	4,376	23,923,705
Due from other funds	1,068,243	860	121	66	—	99	30	20	1,069,439
Loans receivable	—	5,641,476	—	—	—	—	6,942	—	5,648,418
Other assets	216,058	732,114	—	—	—	—	1	—	948,173
Total assets	**492,571,917**	**359,303,277**	**53,688**	**2,335,294**	**97,191**	**17,758,366**	**24,435,304**	**133,419**	**896,688,456**
DEFERRED OUTFLOWS OF RESOURCES	218,708	174,427	1,003	1,187	314	2,367	1,867	473	400,346
Total assets and deferred outflows of resources	**492,790,625**	**359,477,704**	**54,691**	**2,336,481**	**97,505**	**17,760,733**	**24,437,171**	**133,892**	**897,088,802**
LIABILITIES									
Accounts payable	10,521	7,050,297	291	320	83	1,082	2,905	6,603	7,072,102
Due to other governments	—	12	—	—	—	—	—	—	12
Benefits payable	88,746	426,849	—	—	19	87,977	1,464	565	605,620
Securities lending obligations	13,357,902	27,384,547	—	—	—	—	—	—	40,742,449
Loans payable	—	5,669,435	—	—	—	—	—	—	5,669,435
Other liabilities	14,599,996	1,757,019	7,366	6,535	1,554	10,224	14,318	3,122	16,400,134
Total liabilities	**28,057,165**	**42,288,159**	**7,657**	**6,855**	**1,656**	**99,283**	**18,687**	**10,290**	**70,489,752**
DEFERRED INFLOWS OF RESOURCES	155,301	271,035	707	844	180	2,106	2,358	955	433,486
Total liabilities and deferred inflows of resources	**28,212,466**	**42,559,194**	**8,364**	**7,699**	**1,836**	**101,389**	**21,045**	**11,245**	**70,923,238**
NET POSITION									
Restricted:									
Pension benefits	464,578,159	316,918,510	46,327	2,328,782	95,669	—	—	114,346	784,081,793
Other postemployment benefits	—	—	—	—	—	17,659,344	—	—	17,659,344
Deferred compensation participants	—	—	—	—	—	—	24,416,126	—	24,416,126
Individuals, organizations, or other governments	—	—	—	—	—	—	—	8,301	8,301
Total net position	**$ 464,578,159**	**$ 316,918,510**	**$ 46,327**	**$ 2,328,782**	**$ 95,669**	**$ 17,659,344**	**$ 24,416,126**	**$ 122,647**	**$ 826,165,564**

Combining Statement of Changes in Fiduciary Net Position

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

Year Ended June 30, 2023

(amounts in thousands)

	Defined Benefit 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	$ 24,227,246	$ 7,746,196	$ 208,785	$ 89,970	$ 44	$ 5,220,760	$ 2,889	$ 25,812	$ 37,521,702
Plan member	5,672,430	4,304,648	1,697	38,669	11	—	1,036,948	44,828	11,099,231
Non-employer	—	3,719,874	—	—	—	—	—	—	3,719,874
Total contributions	29,899,676	15,770,718	210,482	128,639	55	5,220,760	1,039,837	70,640	52,340,807
Investment income:									
Net appreciation (depreciation) in fair value of investments	20,776,650	13,564,262	—	152,253	667	947,792	2,428,391	8,375	37,878,390
Interest, dividends, and other investment income	8,152,283	7,572,558	2,242	437	15	3,561	42,717	367	15,774,180
Less: investment expense	(1,821,087)	(1,461,919)	(9)	(945)	(81)	(6,838)	(802)	(56)	(3,291,737)
Net investment income (loss)	27,107,846	19,674,901	2,233	151,745	601	944,515	2,470,306	8,686	50,360,833
Other	9,981	303,053	3,028	4	2	13,723	25,110	77	354,978
Total additions	**57,017,503**	**35,748,672**	**215,743**	**280,388**	**658**	**6,178,998**	**3,535,253**	**79,403**	**103,056,618**
DEDUCTIONS									
Distributions to beneficiaries	31,084,243	18,244,899	216,271	83,573	7,088	3,617,896	115,258	69,482	53,438,710
Refunds of contributions	391,113	138,940	—	295	—	—	4,126	—	534,474
Administrative expense	323,014	229,857	2,031	2,126	525	4,608	26,716	803	589,680
Interest expense	—	272,751	—	—	—	—	4	1	272,756
Payments to and for depositors	—	—	—	—	—	229,444	593,490	5,765	828,699
Total deductions	**31,798,370**	**18,886,447**	**218,302**	**85,994**	**7,613**	**3,851,948**	**739,594**	**76,051**	**55,664,319**
Change in net position	25,219,133	16,862,225	(2,559)	194,394	(6,955)	2,327,050	2,795,659	3,352	47,392,299
Net position – beginning	**439,359,026**	**300,056,285**	**48,886**	**2,134,388**	**102,624**	**15,332,294**	**21,620,467**	**119,295**	**778,773,265**
Net position – ending	**$ 464,578,159**	**$ 316,918,510**	**$ 46,327**	**$ 2,328,782**	**$ 95,669**	**$ 17,659,344**	**$ 24,416,126**	**$ 122,647**	**$ 826,165,564**

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Private Purpose Trust Funds

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

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

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

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

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2023

(amounts in thousands)

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

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2023

(amounts in thousands)

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

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Investment Trust Funds

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

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

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

Combining Statement of Fiduciary Net Position

Investment Trust Funds

June 30, 2023
(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ASSETS			
Cash and pooled investments	$ 25,664,992	$ 16	$ 25,665,008
Investments, at fair value:			
Short-term	—	282	282
Equity securities	—	64,017	64,017
Debt securities	—	76,072	76,072
Total investments	—	140,371	140,371
Receivables (net)	220,773	5	220,778
Total assets	**25,885,765**	**140,392**	**26,026,157**
DEFERRED OUTFLOWS OF RESOURCES	—	37	37
Total assets and deferred outflows of resources	**25,885,765**	**140,429**	**26,026,194**
LIABILITIES			
Accounts payable	34	12	46
Due to other governments	208,402	—	208,402
Other liabilities	—	49	49
Total liabilities	**208,436**	**231**	**208,667**
DEFERRED INFLOWS OF RESOURCES	—	75	75
Total liabilities and deferred inflows of resources	**208,436**	**306**	**208,742**
NET POSITION			
Restricted:			
Pension and other postemployment benefits	—	140,123	140,123
Pool participants	25,677,329	—	25,677,329
Total net position	**$ 25,677,329**	**$ 140,123**	**$ 25,817,452**

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

Year Ended June 30, 2023
(amounts in thousands)

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

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Nonmajor Component Units

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

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

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

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

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2023

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
ASSETS					
Current assets:					
Cash and pooled investments	$ 11,570	$ 684,468	$ 215,802	$ 730,601	$ 1,642,441
Investments	—	833,055	—	—	833,055
Restricted assets:					
Cash and pooled investments	637,676	—	19,183	90,599	747,458
Investments	16,578	—	7,742	—	24,320
Receivables (net)	32,593	534,486	10,069	33,397	610,545
Due from primary government	128	—	—	—	128
Due from other governments	—	—	—	—	—
Prepaid items	—	—	1,070	491	1,561
Other current assets	—	41,420	3,879	—	45,299
Total current assets	698,545	2,093,429	257,745	855,088	3,904,807
Noncurrent assets:					
Restricted assets:					
Cash and pooled investments	—	47,691	—	—	47,691
Investments	333,839	—	3,329	—	337,168
Investments	—	2,929,390	—	207,213	3,136,603
Receivables (net)	—	705,101	—	3,783	708,884
Loans receivable	505,760	—	—	—	505,760
Long-term prepaid charges	—	—	—	104	104
Capital assets:					
Land	—	145,494	29,709	5,247	180,450
Collections – nondepreciable	—	12,623	—	435	13,058
Buildings and other depreciable property	9	1,137,057	821,888	194,009	2,152,963
Intangible assets – amortizable	—	336,644	—	3,106	339,750
Less: accumulated depreciation/amortization	(9)	(709,291)	(581,963)	(58,426)	(1,349,689)
Construction/development in progress	—	116,606	43,242	247,503	407,351
Intangible assets – nonamortizable	—	2,304	—	116	2,420
Other noncurrent assets	—	42,721	—	9,796	52,517
Total noncurrent assets	839,599	4,766,340	316,205	612,886	6,535,030
Total assets	**1,538,144**	**6,859,769**	**573,950**	**1,467,974**	**10,439,837**
DEFERRED OUTFLOWS OF RESOURCES	18,867	76,691	42,792	29,996	168,346
Total assets and deferred outflows of resources	**$ 1,557,011**	**$ 6,936,460**	**$ 616,742**	**$ 1,497,970**	**$ 10,608,183**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2023
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ 4,308	$ 143,558	$ 16,712	$ 715,432	$ 880,010
Revenues received in advance	1,024	166,708	8,190	2,108	178,030
Deposits	—	—	1,195	24	1,219
Contracts and notes payable	—	13,315	—	—	13,315
Interest payable	2,571	—	458	—	3,029
Current portion of long-term obligations	18,290	161,205	2,550	5,099	187,144
Other current liabilities	15,838	132,544	3,180	39,261	190,823
Total current liabilities	42,031	617,330	32,285	761,924	1,453,570
Noncurrent liabilities:					
Compensated absences payable	527	5,708	7,520	—	13,755
Workers' compensation benefits payable	—	6,680	—	—	6,680
Loans payable	—	3,176	11,354	—	11,565
Commercial paper and other borrowings	211	—	—	—	116,600
Capital lease obligations	—	116,600	—	21	211,192
Subscription Liability	—	211,171	—	379	3,555
Revenue bonds payable	384,981	47,850	35,751	428,505	897,087
Net other postemployment benefits liability	6,341	80,825	37,260	68,478	192,904
Net pension liability	11,569	115,236	55,083	70,185	252,073
Revenues received in advance	—	—	19,405	—	19,405
Other noncurrent liabilities	86,002	581,694	27,416	16,683	711,795
Total noncurrent liabilities	489,631	1,168,940	193,789	584,251	2,436,611
Total liabilities	**531,662**	**1,786,270**	**226,074**	**1,346,175**	**3,890,181**
DEFERRED INFLOWS OF RESOURCES	2,705	458,730	30,337	40,769	532,541
Total liabilities and deferred inflows of resources	**534,367**	**2,245,000**	**256,411**	**1,386,944**	**4,422,722**
NET POSITION					
Net investment in capital assets	—	396,572	272,120	76,574	745,266
Restricted:					
Nonexpendable – endowments	—	1,830,118	—	26,512	1,856,630
Expendable:					
Endowments and gifts	—	—	—	18,763	18,763
Education	—	1,457,874	—	(1,095)	1,456,779
Statute	1,018,543	—	—	—	1,018,543
Other purposes	3,994	—	22,503	—	26,497
Total expendable	1,022,537	1,457,874	22,503	17,668	2,520,582
Unrestricted	107	1,006,896	65,708	(9,728)	1,062,983
Total net position	**1,022,644**	**4,691,460**	**360,331**	**111,026**	**6,185,461**
Total liabilities, deferred inflows of resources, and net position	**$ 1,557,011**	**$ 6,936,460**	**$ 616,742**	**$ 1,497,970**	**$ 10,608,183**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2023
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
OPERATING EXPENSES					
Personal services	$ 2,578	$ 433,617	$ 47,268	$ 48,293	$ 531,756
Scholarships and fellowships	—	98,231	—	6,362	104,593
Supplies	—	—	—	21,745	21,745
Services and charges	12,122	1,423,490	126,128	31,184	1,592,924
Depreciation	—	76,614	20,502	4,823	101,939
Interest expense and fiscal charges	8,956	20,229	1,845	20,491	51,521
Other	—	83,916	287	9,784	93,987
Total operating expenses	**23,656**	**2,136,097**	**196,030**	**142,682**	**2,498,465**
PROGRAM REVENUES					
Charges for services	3,144	483,661	291,358	78,833	856,996
Operating grants and contributions	379,418	778,135	—	118,773	1,276,326
Capital grants and contributions	—	43,192	—	434	43,626
Total program revenues	**382,562**	**1,304,988**	**291,358**	**198,040**	**2,176,948**
Net revenues (expenses)	358,906	(831,109)	95,328	55,358	(321,517)
GENERAL REVENUES					
Investment and interest income (loss)	31,244	275,586	362	21,938	329,130
Other	2,410	929,260	9,008	17,968	958,646
Total general revenues	**33,654**	**1,204,846**	**9,370**	**39,906**	**1,287,776**
Change in net position	392,560	373,737	104,698	95,264	966,259
Net position – beginning	**630,084**	**4,317,723 ***	**255,633**	**15,762**	**5,219,202**
Net position – ending	**$ 1,022,644**	**$ 4,691,460**	**$ 360,331**	**$ 111,026**	**$ 6,185,461**

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Statistical Section

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Financial Trends

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

Schedule of Net Position by Component
Schedule of Changes in Net Position
Schedule of Fund Balances – Governmental Funds
Schedule of Changes in Fund Balances – Governmental Funds

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

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2014[2]	2015[3]	2016	2017	2018[4]	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	$ 94,001,659	$ 100,694,652	$ 104,596,917	$ 107,042,274	$ 109,614,321	$ 112,279,950	$ 116,773,259	$ 120,745,220	$ 125,862,983	$ 131,322,297
Restricted – Expendable	24,950,740	26,632,502	29,060,971	33,832,232	35,053,202	41,371,805	46,670,678	46,362,528	60,482,461	66,645,014
Unrestricted [1]	(116,948,128)	(169,744,967)	(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)	(174,427,918)	(221,863,616)	(218,243,729)
Total governmental activities net position (deficit)	**$ 2,004,271**	**$ (42,417,813)**	**$ (34,884,973)**	**$ (28,625,177)**	**$ (68,648,510)**	**$ (54,725,510)**	**$ (44,524,586)**	**$ (7,320,170)**	**$ (35,518,172)**	**$ (20,276,418)**
Business-type activities										
Net investment in capital assets	$ 2,065,550	$ 2,278,252	$ 2,520,621	$ 2,295,270	$ 2,469,723	$ 2,534,257	$ 2,907,066	$ 2,677,917	$ 3,340,905	$ 3,538,034
Restricted – Nonexpendable	16,219	13,448	8,653	1,746	1,708	1,693	1,677	1,663	1,641	1,595
Restricted – Expendable	4,897,314	4,523,496	5,750,634	6,307,218	12,083,737	12,945,567	7,722,116	7,651,874	10,639,641	9,900,307
Unrestricted	(1,661,692)	(5,360,817)	(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)	(52,668,204)	(33,212,073)	(31,107,513)
Total business-type activities net position (deficit)	**$ 5,317,391**	**$ 1,454,379**	**$ 4,572,502**	**$ 7,283,102**	**$ (1,909,405)**	**$ (1,237,343)**	**$ (10,317,752)**	**$ (42,336,750)**	**$ (19,229,886)**	**$ (17,667,577)**
Primary government										
Net investment in capital assets	$ 96,067,209	$ 102,972,904	$ 107,117,538	$ 109,337,544	$ 112,084,044	$ 114,814,207	$ 119,680,325	$ 123,423,137	$ 129,203,888	$ 134,860,331
Restricted – Nonexpendable	16,219	13,448	8,653	1,746	1,708	1,693	1,677	1,663	1,641	1,595
Restricted – Expendable	29,848,054	31,155,998	34,811,605	40,139,450	47,136,939	54,317,372	54,392,794	54,014,402	71,122,102	76,545,321
Unrestricted	(118,609,820)	(175,105,784)	(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)	(227,096,122)	(255,075,689)	(249,351,242)
Total primary government net position (deficit)	**$ 7,321,662**	**$ (40,963,434)**	**$ (30,312,471)**	**$ (21,342,075)**	**$ (70,557,915)**	**$ (55,962,853)**	**$ (54,842,338)**	**$ (49,656,920)**	**$ (54,748,058)**	**$ (37,943,995)**

[1] Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities and unfunded employee-related obligations—net pension liability, net other postemployment benefits (OPEB) liability and compensated absences.

[2] In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

[3] In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

[4] In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2014[4]	2015	2016	2017	2018[5]	2019	2020	2021	2022	2023
Governmental activities										
Expenses										
General government	$ 14,292,179	$ 15,804,281	$ 16,686,037	$ 17,400,482	$ 18,378,216	$ 17,900,629	$ 23,489,012	$ 30,604,918	$ 38,760,471	$ 24,946,231
Education	54,719,677	59,521,018	65,467,497	67,377,805	70,280,444	75,643,779	75,803,990	101,569,505	108,450,558	100,496,652
Health and human services	105,037,102	122,063,805	127,543,288	135,090,171	137,828,737	144,936,676	192,576,208	311,925,505	216,232,017	219,032,287
Natural resources and environmental protection	5,854,685	6,419,591	6,988,442	7,342,079	8,304,162	9,774,290	10,110,777	9,923,185	12,502,619	13,314,762
Business, consumer services, and housing	589,715	903,782	814,676	1,163,511	1,258,104	2,133,480	2,603,823	2,946,561	7,364,028	5,641,942
Transportation	13,427,229	12,897,591	12,120,820	12,947,296	14,259,461	17,022,071	18,424,746	18,119,697	15,792,836	19,100,099
Corrections and rehabilitation	11,234,705	11,483,573	11,875,294	13,086,499	14,921,295	15,153,502	16,861,994	14,185,645	16,526,318	18,204,561
Interest on long-term debt	4,699,265	4,880,625	4,231,581	4,191,283	4,154,485	3,995,597	3,841,351	3,505,827	3,508,229	3,705,403
Total expenses	**209,854,557**	**233,974,266**	**245,727,635**	**258,599,126**	**269,384,904**	**286,560,024**	**343,711,901**	**492,780,843**	**419,137,076**	**404,441,937**
Program revenues										
Charges for services:										
General government	5,994,608	6,502,363	6,525,736	5,825,533	5,726,900	5,755,165	5,847,276	6,583,975	6,167,925	6,992,729
Education	67,165	53,498	66,298	74,548	37,147	78,445	49,780	69,727	65,810	111,947
Health and human services	7,961,897	8,259,696	10,630,859	11,638,503	12,968,379	13,874,296	13,836,881	12,664,071	11,402,121	14,195,544
Natural resources and environmental protection	3,403,524	4,546,413	4,823,861	3,998,751	6,319,879	6,644,917	5,551,029	6,592,526	8,422,029	8,488,546
Business, consumer services, and housing	586,055	626,960	823,189	844,445	957,885	1,206,126	1,378,181	1,697,687	1,671,025	1,561,023
Transportation	4,247,258	4,382,901	4,532,300	4,611,244	6,053,140	7,093,122	7,244,317	7,731,094	8,479,493	8,346,084
Corrections and rehabilitation	13,645	18,557	19,411	17,988	39,887	10,993	14,753	15,776	13,563	11,403
Operating grants/contributions	69,861,130	84,896,237	86,628,827	89,497,290	87,812,627	94,501,862	143,670,642	268,258,265	170,662,661	147,291,889
Capital grants/contributions	1,515,890	1,319,430	1,480,351	3,027,780	1,882,595	1,561,483	2,107,963	1,847,263	1,895,160	1,847,186
Total program revenues	**93,651,172**	**110,606,055**	**115,530,832**	**119,536,082**	**121,798,439**	**130,726,409**	**179,700,822**	**305,460,384**	**208,779,787**	**188,846,351**
Total governmental activities net program expenses	**(116,203,385)**	**(123,368,211)**	**(130,196,803)**	**(139,063,044)**	**(147,586,465)**	**(155,833,615)**	**(164,011,079)**	**(187,320,459)**	**(210,357,289)**	**(215,595,586)**
General revenues and other changes in net position										
General revenues:										
Personal income taxes	68,793,292	78,098,865	80,303,076	85,712,013	94,460,551	100,657,551	108,308,455	132,042,516	126,058,884	114,593,854
Sales and use taxes	36,477,724	38,224,080	39,121,061	38,726,332	39,784,494	41,006,121	40,703,239	45,905,984	52,328,196	53,471,988
Corporation taxes	9,102,128	10,720,647	9,213,173	11,128,198	12,608,756	14,625,724	13,180,402	32,108,028	35,850,573	36,685,982
Motor vehicle excise taxes [1]	5,777,167	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519	8,453,232	8,654,176
Insurance taxes	3,359,043	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,992	3,516,612	3,720,620
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
Other taxes [1]	2,302,231	2,235,498	2,158,874	2,574,456	3,573,848	3,790,987	3,789,610	3,827,360	4,402,939	3,667,941
Investment and interest	80,969	58,016	131,615	149,135	297,782	706,637	690,169	140,329	788,612	2,596,512
Escheat	487,937	400,807	304,960	325,755	378,180	447,401	614,394	640,226	660,143	876,112
Gain (loss) on early extinguishment of debt [3]	(54,537)	—	40,516	30,986	—	—	—	—	11,576	22,783
Transfers	(2,296,010)	(2,554,970)	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)	(3,851,666)	(5,465,790)	(6,047,026)
Total general revenues and other changes in net position	**124,029,944**	**136,503,256**	**137,705,648**	**145,444,193**	**158,596,061**	**170,232,867**	**173,392,737**	**224,230,299**	**229,189,054**	**221,721,757**
Total governmental activities change in net position	**$ 7,826,559**	**$ 13,135,045**	**$ 7,508,845**	**$ 6,381,149**	**$ 11,009,596**	**$ 14,399,252**	**$ 9,381,658**	**$ 36,909,840**	**$ 18,831,765**	**$ 6,126,171**

(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 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds. In fiscal year 2022, the Public Building Construction Fund, an internal service fund, recognized a gain on extinguishment of debt.

[4] In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

[5] In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

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

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2014	2015	2016	2017	2018[5]	2019	2020	2021	2022	2023[6]
Business-type activities										
Expenses										
Electric Power [6]	$ 835,000	$ 799,000	$ 728,000	$ 945,000	$ 952,000	$ 913,000	$ 905,115	$ 290,411	$ 36,239	$ —
Water Resources	983,048	1,019,378	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458	1,157,325	1,233,036	1,460,049
Public Buildings Construction [4]	—	—	—	—	—	—	—	—	—	—
State Lottery	5,078,935	5,560,299	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062	8,452,743	8,885,370	9,291,352
Unemployment Programs	13,673,403	11,390,227	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023	55,737,215	14,965,703	15,533,539
California State University [3]	6,544,936	6,847,789	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814	10,391,177	10,778,052	10,877,952
High Technology Education	847	—	—	—	—	—	—	—	—	—
State Water Pollution Control Revolving	5,072	9,082	11,814	17,112	32,335	49,860	45,288	41,466	35,334	46,948
Safe Drinking Water State Revolving [5]	—	—	—	—	21,994	19,371	25,007	23,570	24,608	28,052
Housing Loan	57,206	58,280	55,627	62,885	57,088	54,402	53,656	54,540	45,316	50,682
Other enterprise programs	79,641	77,475	84,188	75,397	96,078	109,113	148,450	88,903	165,655	152,586
Total expenses	**27,258,088**	**25,761,530**	**26,940,479**	**28,504,628**	**31,327,597**	**32,789,740**	**43,241,873**	**76,237,350**	**36,169,313**	**37,441,160**
Program revenues										
Charges for services:										
Electric Power [6]	835,000	799,000	728,000	945,000	952,000	913,000	903,000	406,588	124,467	—
Water Resources	983,048	1,019,378	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001	1,125,002	1,295,670	1,531,195
Public Buildings Construction [4]	—	—	—	—	—	—	—	—	—	—
State Lottery	5,077,976	5,553,418	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321	8,395,767	8,785,557	9,250,527
Unemployment Programs	15,167,258	13,402,902	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665	23,903,289	16,288,566	15,303,547
California State University [3]	3,014,030	3,113,988	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307	3,236,482	3,199,357	3,977,056
High Technology Education	424	—	—	—	—	—	—	—	—	—
State Water Pollution Control Revolving	62,985	65,959	70,245	75,912	86,789	95,703	87,110	73,790	69,695	83,654
Safe Drinking Water State Revolving [5]	—	—	—	—	22,675	25,762	29,717	26,457	27,377	30,890
Housing Loan	65,247	57,742	53,617	52,842	52,735	60,002	61,990	51,953	45,820	53,383
Other enterprise programs	77,671	78,625	82,029	93,177	86,911	106,687	105,874	107,929	130,837	136,636
Operating grants/contributions	1,491,559	1,666,292	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383	3,103,175	4,010,488	2,797,050
Capital grants/contributions	80,903	107,746	66,914	61,027	—	—	—	—	—	—
Total program revenues	**26,856,101**	**25,865,050**	**27,258,501**	**28,131,791**	**30,512,274**	**29,540,215**	**27,559,368**	**40,430,432**	**33,977,834**	**33,163,938**
Total business-type activities net program revenues (expenses)	**(401,987)**	**103,520**	**318,022**	**(372,837)**	**(815,323)**	**(3,249,525)**	**(15,682,505)**	**(35,806,918)**	**(2,191,479)**	**(4,277,222)**
Other changes in net position										
Gain (loss) on early extinguishment of debt [2]	(26,913)	—	—	—	—	—	—	—	—	—
Transfers	2,296,010	2,554,970	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068	3,851,666	5,465,790	6,047,026
Total business-type activities change in net position	**1,867,110**	**2,658,490**	**3,118,123**	**2,710,600**	**3,524,672**	**681,381**	**(9,719,437)**	**(31,955,252)**	**3,274,311**	**1,769,804**
Total primary government change in net position	**$ 9,693,669**	**$ 15,793,535**	**$ 10,626,968**	**$ 9,091,749**	**$ 14,534,268**	**$ 15,080,633**	**$ (337,779)**	**$ 4,954,588**	**$ 22,106,076**	**$ 7,895,975**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved	—	—	—	—	—	—	—	—	—	—
Nonspendable	128,609	53,431	75,939	103,903	559,644	1,180,575	2,129,227	2,878,611	2,958,319	3,950,919
Restricted	394,246	2,266,635	4,044,911	7,429,825	9,807,729	14,834,597	16,709,782	12,928,039	23,251,079	24,830,454
Committed	125,120	102,793	68,102	180,755	171,020	1,787,142	2,965,662	668,351	4,024,689	4,210,891
Assigned	—	—	—	—	—	—	3,080,372	4,938,117	7,290,655	20,714,283
Unassigned	(8,092,571)	(4,651,491)	(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557	52,731,990	36,522,416	10,297,141
Total General Fund	**$ (7,444,596)**	**$ (2,228,632)**	**$ 361,728**	**$ 5,810,386**	**$ 12,186,904**	**$ 18,567,882**	**$ 28,501,600**	**$ 74,145,108**	**$ 74,047,158**	**$ 64,003,688**
All other governmental funds										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	—	—	—	—	—	—	—	—	—	—
Nonspendable	27,260	5,620	11,188	20,172	69,868	12,760	13,702	10,238	39,130	95,021
Restricted	24,269,093	24,224,167	24,885,166	26,233,389	25,051,548	26,329,109	29,796,900	33,282,001	37,132,326	41,637,363
Committed	2,914,747	4,090,563	5,652,478	5,847,879	7,897,362	9,994,978	10,066,141	10,160,675	12,949,069	16,158,684
Assigned	18,857	16,767	14,622	12,033	26,346	19,247	49,868	45,543	63,457	77,937
Unassigned	(20,145)	(6,456)	(1,037)	(15,152)	—	—	(2,474,960)	(8,822,239)	(55,655,634)	(46,430,334)
Total all other governmental funds	**$ 27,209,812**	**$ 28,330,661**	**$ 30,562,417**	**$ 32,098,321**	**$ 33,045,124**	**$ 36,356,094**	**$ 37,451,651**	**$ 34,676,218**	**$ (5,471,652)**	**$ 11,538,671**

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Personal income taxes	$ 68,771,667	$ 78,245,616	$ 79,934,285	$ 85,737,905	$ 94,484,443	$ 96,801,076	$ 111,831,167	$ 132,095,124	$ 125,914,865	$ 114,439,619
Sales and use taxes	36,409,311	38,389,972	39,136,040	38,741,715	39,777,069	41,085,626	40,709,462	45,906,755	52,317,376	53,469,731
Corporation taxes	9,242,454	10,780,647	9,214,173	11,125,198	12,597,928	14,038,348	13,722,735	32,122,361	35,824,715	36,662,999
Motor vehicle excise taxes [1]	5,777,167	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519	8,453,232	8,654,176
Insurance taxes	3,359,043	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,993	3,516,612	3,720,620
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
Other taxes [1]	2,297,025	2,312,875	2,185,690	2,565,928	3,548,182	3,688,531	3,862,045	4,007,125	4,421,355	3,690,842
Intergovernmental	73,000,600	87,740,667	91,069,753	95,709,784	92,904,469	99,867,750	148,951,650	272,691,880	175,107,421	151,498,528
Licenses and permits	6,957,117	7,270,994	7,612,551	8,113,542	8,761,620	9,186,945	9,256,454	9,999,107	10,126,549	10,733,076
Charges for services	769,302	849,895	870,142	860,241	975,314	956,032	972,805	1,025,167	1,028,747	1,127,528
Fees and penalties	9,757,476	10,510,727	11,882,699	11,571,934	13,548,471	14,187,698	14,322,983	15,062,529	15,461,639	15,955,991
Investment and interest	137,754	119,690	232,285	318,502	607,418	1,321,143	1,328,956	626,478	643,594	3,610,075
Escheat	488,945	406,899	305,394	327,614	382,793	448,756	615,720	644,248	661,698	915,711
Other	2,903,335	3,975,144	4,049,789	2,934,157	5,318,739	5,594,587	4,595,386	6,802,576	7,862,830	8,378,244
Total revenues	**219,871,196**	**249,923,439**	**255,725,275**	**267,887,275**	**284,738,891**	**300,105,844**	**362,238,899**	**534,400,873**	**443,924,710**	**416,335,955**
Expenditures										
General government	14,778,214	16,202,395	16,715,892	17,250,720	18,978,389	19,263,146	27,393,107	29,908,484	44,249,597	29,427,864
Education	53,309,436	62,952,621	65,213,542	67,224,796	69,902,627	75,071,188	76,347,719	99,964,095	111,764,166	101,582,047
Health and human services	104,781,494	122,259,036	127,201,314	134,372,094	138,018,275	144,543,589	191,819,998	311,093,756	216,174,091	219,002,631
Natural resources and environmental protection	5,508,860	6,006,446	6,278,363	6,712,838	7,987,878	9,069,777	9,244,813	8,862,649	12,175,743	13,125,620
Business, consumer services, and housing	621,037	670,774	1,130,213	1,103,694	1,189,365	2,013,409	2,457,248	2,824,462	7,637,467	5,644,310
Transportation	15,721,532	15,137,217	14,814,829	15,007,639	17,169,040	17,893,338	20,025,848	19,623,756	19,491,005	22,118,228
Corrections and rehabilitation	10,395,234	11,182,926	11,450,980	12,276,391	14,665,524	14,055,766	14,680,705	12,598,851	15,689,740	17,279,129
Capital outlay	1,909,010	1,019,335	1,492,442	1,238,700	612,769	287,487	401,066	886,020	682,904	905,327
Debt service:										
Bond and commercial paper retirement	7,002,941	8,482,380	6,929,866	9,364,550	8,598,856	10,444,825	10,276,581	9,594,575	13,402,490	10,243,562
Interest and fiscal charges	4,321,040	4,473,799	4,057,907	3,986,270	3,961,704	3,971,353	3,856,390	3,650,153	4,126,022	3,756,623
Total expenditures	**218,348,798**	**248,386,929**	**255,285,348**	**268,537,692**	**281,084,427**	**296,613,878**	**356,503,475**	**499,006,801**	**445,393,225**	**423,085,341**
Excess (deficiency) of revenues over (under) expenditures	1,522,398	1,536,510	439,927	(650,417)	3,654,464	3,491,966	5,735,424	35,394,072	(1,468,515)	(6,749,386)
Other financing sources (uses)										
General obligation bonds and commercial paper issued	5,082,305	4,343,165	4,074,980	4,325,075	5,283,365	3,626,765	5,085,590	5,051,305	4,552,690	6,822,625
Revenue bonds issued	—	—	—	—	—	—	500,000	450,000	1,050,000	—
Refunding/remarketing debt issued	2,077,330	5,086,100	5,220,320	7,074,225	6,681,855	5,683,865	4,384,895	3,657,445	10,011,411	3,701,890
Payment to refund/remarket long-term debt	(328,024)	(3,865,093)	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—	(428,395)	(2,935,087)	(37,408)
Premium on bonds issued	505,026	1,116,811	1,037,920	1,309,254	1,036,320	1,003,337	1,217,615	1,218,766	1,229,185	679,529
Capital leases	1,486,204	625,282	1,148,774	988,680	405,930	50,506	24,082	439,180	143,759	370,731
Transfers in	4,041,250	5,344,134	4,385,123	4,586,199	4,266,596	4,414,250	5,776,094	6,408,853	7,121,202	8,372,233
Transfers out	(6,304,047)	(7,934,754)	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)	(10,249,393)	(12,547,219)	(14,485,271)
Total other financing sources	**6,560,044**	**4,715,645**	**4,358,647**	**7,693,525**	**5,392,268**	**6,069,288**	**5,256,790**	**6,547,761**	**8,625,941**	**5,424,329**
Total change in fund balance	**$ 8,082,442**	**$ 6,252,155**	**$ 4,798,574**	**$ 7,043,108**	**$ 9,046,732**	**$ 9,561,254**	**$ 10,992,214**	**$ 41,941,833**	**$ 7,157,426**	**$ (1,325,057)**
Debt service as a percentage of noncapital expenditures	5.2 %	5.2 %	4.3 %	5.0 %	4.5 %	4.9 %	4.0 %	2.7 %	3.9 %	3.3 %

[1] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[2] In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with "insurance taxes" in prior years.

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Revenue Capacity

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

Schedule of Revenue Base

Schedule of Revenue Payers by Income Level/Industry

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Personal Income by Industry										
(items restated as footnoted) [1]										
Farm earnings	$ 20,545,796	$ 22,609,066	$ 21,222,250	$ 18,646,282	$ 20,041,415	$ 15,669,285	$ 15,978,888	$ 17,315,815	$ 15,575,403	$ 16,004,335
Forestry, fishing, and other natural resources	7,873,988	8,303,175	9,216,947	9,898,303	10,176,211	10,765,747	11,261,626	12,690,920	12,409,090	12,925,476
Mining	6,503,958	6,712,256	4,963,527	3,753,851	3,216,216	3,717,373	3,427,775	2,839,729	2,644,161	3,050,869
Construction and utilities	74,439,881	79,692,915	88,130,646	93,511,037	102,974,465	112,396,379	120,240,852	117,965,220	122,073,288	128,386,931
Manufacturing	126,037,578	133,035,011	139,414,534	145,528,697	153,661,389	159,126,826	161,854,115	172,313,755	187,218,373	194,388,210
Wholesale trade	61,468,734	65,805,068	70,215,535	70,149,369	73,535,459	71,639,917	72,727,682	73,620,933	76,454,399	82,264,226
Retail trade	78,268,977	81,107,100	84,898,965	84,819,197	87,143,887	90,173,648	92,171,144	93,632,170	103,125,834	107,785,050
Transportation and warehousing	39,503,640	42,142,663	45,945,185	49,332,199	53,670,285	60,511,132	69,759,793	68,916,210	82,190,820	87,291,248
Information, finance, and insurance	156,649,296	159,848,610	174,617,028	190,140,120	206,955,669	218,388,275	229,828,550	252,396,092	293,219,543	284,043,606
Real estate and rental and leasing	52,035,567	49,055,596	51,762,077	54,244,467	55,830,864	60,774,043	69,549,333	72,006,102	77,184,395	71,136,357
Services	482,396,884	516,952,464	552,135,538	574,579,377	604,183,727	640,289,889	680,264,303	678,958,934	760,246,498	812,720,468
Federal, civilian	25,771,225	26,450,856	27,477,720	28,337,175	29,073,247	30,340,685	31,010,832	32,936,947	33,470,612	34,627,542
Military	15,354,084	15,071,769	14,952,018	16,333,621	16,101,002	15,238,777	15,611,106	16,600,127	17,841,972	17,727,105
State and local government	190,360,140	200,331,079	212,528,644	223,593,750	230,997,705	237,580,482	245,796,913	255,052,712	263,859,389	269,916,478
Other [2]	474,413,668	517,464,525	566,525,160	593,930,254	612,061,700	643,820,394	677,994,115	858,162,187	919,383,466	838,104,995
Total personal income	**$ 1,811,623,416**	**$ 1,924,582,153**	**$ 2,064,005,774**	**$ 2,156,797,699**	**$ 2,259,623,241**	**$ 2,370,432,852**	**$ 2,497,477,027**	**$ 2,725,407,853**	**$ 2,966,897,243**	**$ 2,960,372,896**
Average effective rate [3]	6.1 %	5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.5 %	6.5 %	6.0 %

(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)

	2013	2014	2015	2016
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	$ 67,986,436	$ 73,232,242	$ 80,346,595	$ 84,225,652
Furniture and home furnishings stores	10,645,523	11,408,837	12,169,888	12,790,041
Electronics and appliance stores	14,765,485	15,148,893	16,349,542	17,120,030
Building materials, garden equipment, and supplies	29,680,053	31,299,110	33,601,538	35,238,333
Food and beverage	25,289,203	26,298,414	27,134,034	27,678,056
Health and personal care stores	11,294,049	11,640,870	12,364,559	13,163,569
Gasoline stations	56,860,585	55,733,384	48,203,175	43,273,182
Clothing and clothing accessories stores	34,918,036	36,822,241	38,438,074	39,698,156
Sporting goods, hobby, book, and music stores	11,113,831	11,056,024	11,341,328	11,441,556
General merchandise stores	51,431,094	52,013,855	53,119,200	53,032,357
Miscellaneous store retailers	18,382,224	19,024,905	19,852,685	19,617,820
Nonstore retailers	7,296,839	8,292,788	9,531,606	11,717,407
Food services and drinking places	62,776,360	67,864,614	73,889,708	78,494,623
All other outlets	184,399,899	195,985,698	202,290,022	206,365,477
Total taxable sales	**$ 586,839,617**	**$ 615,821,875**	**$ 638,631,954**	**$ 653,856,259**
Direct sales tax rate [1]	6.50 %	6.50 % [2]	6.50 %	6.50 %

	2017	2018	2019	2020	2021	2022
Taxable Sales by Industry						
Retail and Food Services:						
Motor vehicle and parts dealers	$ 86,983,280	$ 89,696,669	$ 88,526,876	$ 87,847,344	$ 106,686,238	$ 108,863,945
Furniture and home furnishings stores	13,035,340	13,578,685	13,427,029	13,626,241	16,375,319	16,004,779
Electronics and appliance stores	17,170,671	17,520,474	16,999,111	16,926,013	19,232,973	18,833,052
Building materials, garden equipment, and supplies	37,504,347	39,469,798	40,313,948	45,966,216	50,775,894	51,775,096
Food and beverage	28,799,044	29,697,424	30,216,432	32,042,780	33,308,785	34,725,455
Health and personal care stores	13,669,415	14,384,602	15,160,891	15,622,747	17,397,455	17,653,263
Gasoline stations	47,434,923	54,302,232	54,141,178	38,345,721	56,231,375	71,264,403
Clothing and clothing accessories stores	40,206,581	42,233,560	43,130,842	32,500,749	47,599,716	49,393,086
Sporting goods, hobby, book, and music stores	10,900,749	10,467,200	10,407,608	10,110,131	11,776,823	11,389,486
General merchandise stores	54,684,182	56,416,293	58,066,003	57,003,022	66,201,633	69,575,648
Miscellaneous store retailers	19,719,301	20,503,078	20,952,870	20,863,193	24,996,467	26,319,225
Nonstore retailers	13,599,808	15,663,789	20,276,518	53,383,005	60,520,452	64,329,865
Food services and drinking places	82,355,474	85,226,197	89,403,960	63,665,386	87,700,329	102,862,887
All other outlets	211,760,378	217,675,199	231,733,635	218,853,973	263,908,719	308,785,176
Total taxable sales	**$ 677,823,493**	**$ 706,835,200**	**$ 732,756,901**	**$ 706,756,521**	**$ 862,712,178**	**$ 951,775,366**
Direct sales tax rate [1]	6.00 %	6.00 % [3]	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 2014 and 2022

Personal Income Tax Filers and Liability by Income Level [1]

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

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

Source: California Franchise Tax Board

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

[2] Amounts are in thousands.

For Calendar Years 2013 and 2022

Sales Tax Permits and Tax Liability by Industry

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

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

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

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

Schedule of Personal Income Tax Rates

For Calendar Years 2013-2022

Married Filing Jointly and Surviving Spouse

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
1.0	Up to $15,164	Up to $15,498	Up to $15,700	Up to $16,030	Up to $16,446	Up to $17,088	Up to $17,618	Up to $17,864	Up to $18,650	Up to $20,198
2.0	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766	17,865 – 42,350	18,651 – 44,214	20,199 – 47,884
4.0	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920	42,351 – 66,842	44,215 – 69,784	47,885 – 75,576
6.0	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506	66,843 – 92,788	69,785 – 96,870	75,577 – 104,910
8.0	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648	92,789 – 117,268	96,871 – 122,428	104,911 – 132,590
9.3	99,549 – 508,500	101,739 – 519,688	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746	117,269 – 599,016	122,429 – 625,372	132,591 – 677,278
10.3	508,501 – 610,200	519,689 – 623,624	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890	599,017 – 718,814	625,373 – 750,442	677,279 – 812,728
11.3	610,201 – 1,000,000	623,625 – 1,000,000	631,733 – 1,000,000	644,999 – 1,000,000	661,769 – 1,000,000	687,577 – 1,000,000	708,891 – 1,000,000	718,815 – 1,000,000	750,443 – 1,000,000	812,729 – 1,000,000
12.3	1,000,001 – 1,017,000	1,000,001 – 1,039,374	1,000,001 – 1,052,886	1,000,001 – 1,074,996	1,000,001 – 1,102,946	1,000,001 – 1,145,960	1,000,001 – 1,181,484	1,000,001 – 1,198,024	1,000,001 - 1,250,738	1,000,001 to 1,354,550
13.3	$1,017,001 and over	$1,039,375 and over	$1,052,887 and over	$1,074,997 and over	$1,102,947 and over	$1,145,961 and over	$1,181,485 and over	1,198,025 and over	1,250,739 and over	1,354,551 and over

Single and Married Filing Separately

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
1.0	Up to $7,582	Up to $7,749	Up to $7,850	Up to $8,015	Up to $8,223	Up to $8,544	Up to $8,809	Up to $8,932	Up to $9,325	Up to $10,099
2.0	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810– 20,883	8,933 – 21,175	9,326 - 22,107	10,099 - 23,942
4.0	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960	21,176 – 33,421	22,108 - 34,892	23,943 -37,788
6.0	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773	29.990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753	33,422 – 46,394	34,893 - 48,435	37,789 - 52,455
8.0	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824	46,395 – 58,634	48,436 - 61,214	52,456 - 66,295
9.3	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373	58,635 – 295,508	61,215- 312,686	66,296- 338,639
10.3	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445	295,509 – 359,407	312,687 - 375,221	338,640 - 406,364
11.3	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742	359,408 – 599,012	375,222 - 625,369	406,365 -677,275
12.3	508,501 – 1,000,000	519,688 – 1,000,000	526,444 – 1,000,000	537,499 – 1,000,000	551,474 – 1,000,000	572,981 – 1,000,000	590,743 – 1,000,000	599,013 – 1,000,000	625,370 - 1,000,000	677,276- 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	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	1,000,001 and over

Head of Household

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
1.0	Up to $15,174	Up to $15,508	Up to $15,710	Up to $16,040	Up to $16,457	Up to $17,099	Up to $17,629	Up to $17,876	Up to $18,663	Up to $20,212
2.0	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	17,099 – 40,512	17,630 – 41,768	17,877 – 42,353	18,664 – 44,217	20,213 – 47,887
4.0	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	40,512 – 52,224	41,769 – 53,843	42,354 – 54,597	44,218 – 56,999	47,888 – 61,730
6.0	46,347 – 57,359	47,367 – 58,621	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	52,224 –64,632	53,844 – 66,636	54,598 – 67,569	57,000 – 70,542	61,731 – 76,397
8.0	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	64,632 – 76,343	66,637 – 78,710	67,570 – 79,812	70,543 – 83,324	76,398 – 90,240
9.3	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	76,343 – 389,627	78,711 – 401,705	79,813 – 407,329	83,325 – 425,251	90,241 – 460,547
10.3	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	389,627 – 467,553	401,706 – 482,047	407,330 – 488,796	425,252 – 510,303	460,548 – 552,658
11.3	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	467,553 – 779,253	482,048 – 803,410	488,797 – 814,658	510,304 – 850,503	552,659 – 921,095
12.3	691,561 – 1,000,000	706,775 – 1,000,000	715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	779,253 – 1,000,000	803,411 – 1,000,000	814,659 – 1,000,000	850,504 – 1,000,000	921,096 – 1,000,000
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	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	1,000,001 and over

Source: California Franchise Tax Board (FTB)

[1] FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Personal income tax revenue [1]	$ 66,220,132	$ 67,584,256	$ 76,879,115	$ 78,510,777	$ 84,253,851	$ 92,808,996	$ 95,026,913	$ 110,352,220	$ 129,514,535	$ 112,736,701
Adjusted gross income [2]	$ 1,091,080,300	$ 1,216,002,700	$ 1,265,341,200	$ 1,318,362,700	$ 1,430,332,000	$ 1,531,670,000	$ 1,596,322,000	$ 1,693,751,000	$ 1,991,347,000	$ 1,883,047,000
Average effective rate [3]	6.1 %	5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.5 %	6.5 %	6.0 %

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

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

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

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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.

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

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
General obligation bonds [1]	$ 83,276,347	$ 80,509,802	$ 79,043,295	$ 79,503,871	$ 79,663,028	$ 78,772,850	$ 78,883,746	$ 78,481,408	$ 77,346,130	$ 78,693,097
Revenue bonds [2]	18,917,443	18,409,971	17,210,499	16,879,900	16,364,255	15,711,660	15,905,264	15,998,239	17,157,391	16,097,912
Certificates of participation and commercial paper [3]	598,094	493,770	771,215	1,158,080	859,695	1,032,760	1,108,720	1,176,235	1,448,725	1,327,110
Capital lease obligations [4, 7]	260,088	274,760	370,182	416,468	481,261	434,876	393,089	359,812	—	—
Lease Liability	—	—	—	—	—	—	—	—	2,659,291	2,513,875
Subscription Liability	—	—	—	—	—	—	—	—	160,866	136,463
Total governmental activities	**103,051,972**	**99,688,303**	**97,395,191**	**97,958,319**	**97,368,239**	**95,952,146**	**96,290,819**	**96,015,694**	**98,772,403**	**98,768,457**
Business-type activities										
General obligation bonds [1]	674,394	650,133	794,369	703,754	694,100	850,762	788,052	598,384	536,352	675,362
Revenue bonds [2]	12,991,827	12,670,619	13,928,374	14,955,858	14,319,372	14,521,460	14,277,362	14,806,645	14,421,501	14,605,513
Commercial paper	204,647	237,186	47,416	147,765	749,877	799,643	1,049,226	401,219	323,313	401,804
Capital lease obligations [7]	1,250,274	1,210,409	389,385	353,453	309,928	315,322	357,072	336,081	—	—
Lease Liability	—	—	—	—	—	—	—	—	332,851	358,448
Subscription Liability	—	—	—	—	—	—	—	—	95,145	66,804
Total business-type activities	**15,121,142**	**14,768,347**	**15,159,544**	**16,160,830**	**16,073,277**	**16,487,187**	**16,471,712**	**16,142,329**	**15,709,162**	**16,107,931**
Total primary government	**$ 118,173,114**	**$ 114,456,650**	**$ 112,554,735**	**$ 114,119,149**	**$ 113,441,516**	**$ 112,439,333**	**$ 112,762,531**	**$ 112,158,023**	**$ 114,481,565**	**$ 114,876,388**
Debt as a percentage of personal income [5]	6.3%	5.7%	5.2%	5.0%	4.8%	4.5%	4.3%	4.1%	3.8%	3.8%
Amount of debt per capita [6]	$ 3,089	$ 2,965	$ 2,892	$ 2,914	$ 2,882	$ 2,849	$ 2,859	$ 2,839	$ 2,925	$ 2,935

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

[1] Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

[3] All certificates of participation were retired in fiscal year 2016.

[4] Prior to fiscal year 2014, governmental activities reported a capital lease obligation to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

[5] Ratio calculated using personal income data shown on pages 342 and 343 for the prior calendar year.

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

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

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net general bonded debt										
General obligation bonds [1]	$ 79,368,794	$ 80,215,650	$ 79,837,664	$ 79,503,871	$ 80,357,128	$ 79,623,612	$ 79,671,798	$ 79,079,792	$ 77,882,481	$ 79,368,459
Economic Recovery bonds	4,581,745	944,285	—	—	—	—	—	—	—	—
Less: restricted debt service fund	318,171	818,321	—	—	—	—	—	—	—	—
Net Economic Recovery bonds [2]	**4,263,574**	**125,964**	—	—	—	—	—	—	—	—
Net general bonded debt	**$ 83,632,368**	**$ 80,341,614**	**$ 79,837,664**	**$ 79,503,871**	**$ 80,357,128**	**$ 79,623,612**	**$ 79,671,798**	**$ 79,079,792**	**$ 77,882,481**	**$ 79,368,459**
Net general bonded debt as a percentage of personal income [3]	4.4%	4.0%	3.7%	3.5%	3.4%	3.2%	3.0%	2.9%	2.6%	2.6%
Amount of net general bonded debt per capita [4]	$ 2,186	$ 2,082	$ 2,051	$ 2,030	$ 2,042	$ 2,018	$ 2,020	$ 2,002	$ 1,990	$ 2,033

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

[1] Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] In fiscal year 2016, the outstanding balance of the Economic Recovery bonds was defeased and the balance in the restricted debt service fund was transferred out.

[3] Ratio calculated using personal income data shown on pages 342 and 343 for the prior calendar year.

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

Schedule of General Obligation Bonds Outstanding

June 30, 2023
(amounts in thousands)

Governmental activity		
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	$	1,521,500
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All		983,285
California Library Construction and Renovation		194,100
California Park and Recreational Facilities		2,350
California Parklands		100
California Safe Drinking Water		16,850
California Stem Cell Research and Cures		1,346,285
California Wildlife, Coastal, and Park Land Conservation		26,040
Children's Hospital		1,423,210
Class-Size Reduction Public Education Facilities		3,233,970
Clean Air and Transportation Improvement		241,990
Clean Water		350
Clean Water and Water Conservation		1,150
Clean Water and Water Reclamation		3,625
County Correctional Facility Capital Expenditure and Youth Facility		9,760
Disaster Preparedness and Flood Prevention		2,783,095
Earthquake Safety and Public Buildings Rehabilitation		2,865
Fish and Wildlife Habitat Enhancement		2,245
Higher Education Facilities		72,500
Highway Safety, Traffic Reduction, Air Quality, and Port Security		13,589,570
Housing and Emergency Shelter		918,070
Kindergarten-University Public Education Facilities		28,502,485
New Prison Construction		3,430
Public Education Facilities		575,870
Safe, Clean, Reliable Water Supply		310,995
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		984,855
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		3,167,690
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection		920,760
Safe, Reliable High-Speed Passenger Train		4,105,360
School Building and Earthquake		3,990
School Facilities		112,745
Seismic Retrofit		610,295
State, Urban, and Coastal Park		840
Veterans and Affordable Housing		391,635
Veterans Homes		29,455
Veterans Housing and Homeless Prevention		209,010
Voting Modernization		44,420
Water Conservation		5,605
Water Conservation and Water Quality		6,900
Water Quality, Supply, and Infrastructure Improvement		2,126,545
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,180,280
Total governmental activity		**70,666,075**
Business-type activity		
California Water Resources Development		120
Veterans' Farm and Home Purchase		662,665
Total business-type activity		**662,785**
Total outstanding general obligation bonds		**71,328,860**
Unamortized bond premiums/discounts		8,039,599 *
Total general obligation bonds payable	**$**	**79,368,459**

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

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Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years
(amounts in thousands)

				Net Revenue	Debt Service Requirements [3]			
	June 30	Gross Revenue [1]	Operating Expenses [2]	Available for Debt Service	Principal	Interest	Total	Coverage
Housing Loans	2014	$ 65,247	$ 19,452	$ 45,795	$ 47,620	$ 14,926	$ 62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2016	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2017	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2018	61,588	15,463	46,125	17,980	11,392	29,372	1.57
	2019	51,953	20,035	31,918	79,140	11,296	90,436	0.35
	2022	45,820	18,656	27,164	142,575	9,132	151,707	0.18
	2023	53,383	18,358	35,025	25,145	11,130	36,275	0.97
Water Resources	2014	$ 973,508	$ 798,653	$ 174,855	$ 150,911	$ 107,727	$ 258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
	2017	1,223,340	941,984	281,356	134,185	34,408	168,593	1.67
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
	2019	1,172,134	784,173	387,961	129,400	86,809	216,209	1.79
	2020	1,155,001	720,577	434,424	147,035	139,197	286,232	1.52
	2021	1,125,002	856,011	268,991	172,815	87,404	260,219	1.03
	2022	1,295,670	660,537	635,133	160,300	88,108	248,408	2.56
	2023	1,531,195	908,463	622,732	217,147	8,051	225,198	2.77
Water Pollution Control	2014	$ 54,968	$ 1,739	$ 53,229	$ 13,000	$ 355	$ 13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86
	2017	65,635	350	65,285	12,940	12,458	25,398	2.57
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37
	2019	86,828	435	86,393	58,845	37,384	96,229	0.90
	2020	80,627	353	80,274	77,170	35,174	112,344	0.71
	2021	66,662	355	66,307	82,615	33,155	115,770	0.57
	2022	61,698	510	61,188	87,375	30,656	118,031	0.52
	2023	71,514	2,265	69,249	92,820	39,140	131,960	0.52

Source: California State Controller's Office

[1] Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

[2] Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges and refunding gains/losses.

[3] Debt service requirements include principal and interest of revenue bonds.

[4] All revenue bonds have been redeemed.

[5] Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

For the Past Ten Fiscal Years
(amounts in thousands)

				Net Revenue	Debt Service Requirements [3]			
	June 30	Gross Revenue [1]	Operating Expenses [2]	Available for Debt Service	Principal	Interest	Total	Coverage
Electric Power	2014	$ 835,000	$ (46,000)	$ 881,000	$ 611,000	$ 312,000	$ 923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
	2017	945,000	(29,000)	974,000	690,000	215,000	905,000	1.08
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
	2019	923,000	(5,000)	928,000	753,000	139,000	892,000	1.04
	2020	925,000	(11,000)	936,000	970,000	109,000	1,079,000	0.87
	2021	299,000	(7,000)	306,000	735,000	48,000	783,000	0.39
	2022	311,000	(140,000)	451,000	—	—	—	—
	2023	1,000	(1)	1,001	—	1,001	1,001	1.00
Public Buildings Construction	2014	$ 431,890	$ 14,403	$ 417,487	$ 412,085	$ 439,888	$ 851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
	2017	447,238	6,899	440,339	481,680	402,201	883,881	0.50
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
	2019	442,022	1,945	440,077	518,640	363,983	882,623	0.50
	2020	422,614	4,430	418,184	635,985	353,371	989,356	0.42
	2021	344,095	4,879	339,216	535,695	345,741	881,436	0.38
	2022	366,050	7,396	358,654	1,922,085	411,384	2,333,469	0.15
	2023	383,331	3,936	379,395	1,294,870	307,543	1,602,413	0.24
High Technology Education [4]	2014	$ 424	$ —	$ 424	$ 24,771	$ 847	$ 25,618	0.02
California State University	2014	$ 4,505,589	$ 6,376,502	$ (1,870,913)	$ 257,964	$ 173,424	$ 431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)
	2017	5,030,325	7,479,645	(2,449,320)	120,570	200,678	321,248	(7.62)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)
	2019	5,573,812	9,139,677	(3,565,865)	237,971	297,486	535,457	(6.66)
	2020	5,695,853	9,908,839	(4,212,986)	299,162	342,642	641,804	(6.56)
	2021	6,279,180	9,685,352	(3,406,172)	245,384	364,037	609,421	(5.59)
	2022	7,675,072	9,969,192	(2,294,120)	498,712	345,120	843,832	(2.72)
	2023	6,622,233	9,990,465	(3,368,232)	603,600	339,531	943,131	(3.57)

(continued)

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years
(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Building Authorities	2014	$ 53,157	$ —	$ 53,157	$ 39,895	$ 29,882	$ 69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
	2017	40,718	—	40,718	27,420	10,096	37,516	1.09
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
	2019	38,327	—	38,327	31,605	6,012	37,617	1.02
	2020	35,546	—	35,546	33,215	4,383	37,598	0.95
	2021	25,434	—	25,434	31,580	2,774	34,354	0.74
	2022	11,478	—	11,478	29,485	1,260	30,745	0.37
	2023	1,971	—	1,971	10,650	268	10,918	0.18
Golden State Tobacco Securitization Corporation	2014	$ 355,918	$ —	$ 355,918	$ 50,910	$ 325,884	$ 376,794	0.94
	2015	414,992	394	414,598	133,900	292,173	426,073	0.97
	2016	365,300	586	364,714	70,535	299,935	370,470	0.98
	2017	370,612	462	370,150	745,888	308,638	1,054,526	0.35
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
	2019	446,462	653	445,809	878,094	288,841	1,166,935	0.38
	2020	423,369	530	422,839	154,190	265,519	419,709	1.01
	2021	471,222	535	470,687	212,215	323,920	536,135	0.88
	2022	482,247	371	481,876	2,981,103	799,366	3,780,469	0.13
	2023	476,351	1,191	475,160	644,351	55,867	700,218	0.68
Grant Anticipation Revenue Vehicles [4, 5]	2014	$ 84,289	$ —	$ 84,289	$ 74,400	$ 9,889	$ 84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00
	2017	11,390	—	11,390	9,360	2,030	11,390	1.00
	2018	11,393	—	11,393	9,830	1,563	11,393	1.00
	2019	11,390	—	11,390	10,320	1,070	11,390	1.00
	2020	11,390	—	11,390	10,835	555	11,390	1.00

(concluded)

Demographic and Economic Information

The ***demographic and economic*** schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Population (in thousands) [1]										
California	38,291	38,636	38,966	39,223	39,424	39,536	39,548	39,502	39,143	39,041
% Change	0.8%	0.9%	0.9%	0.7%	0.5%	0.3%	—	-0.1%	-0.9%	-0.3%
United States	316,735	319,270	321,829	324,368	326,623	328,542	330,233	331,527	332,049	333,271
% Change	0.8%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.4%	0.2%	0.4%
Total personal income (in millions) [1]										
California	$ 1,840,885	$ 1,955,718	$ 2,097,050	$ 2,191,138	$ 2,295,049	$ 2,411,055	$ 2,537,951	$ 2,767,521	$ 3,013,677	$ 3,006,647
% Change	1.4%	6.2%	7.2%	4.5%	4.7%	5.1%	5.3%	9.0%	8.9%	-0.2%
United States	$ 14,063,283	$ 14,778,160	$ 15,467,113	$ 15,884,741	$ 16,658,962	$ 17,514,402	$ 18,343,601	$ 19,609,985	$ 21,392,812	$ 21,820,248
% Change	1.1%	5.1%	4.7%	2.7%	4.9%	5.1%	4.7%	6.9%	9.1%	2.0%
Per capita personal income [1, 2]										
California	$ 48,076	$ 50,619	$ 53,817	$ 55,863	$ 58,214	$ 60,984	$ 64,174	$ 70,061	$ 76,991	$ 77,013
% Change	0.6%	5.3%	6.3%	3.8%	4.2%	4.8%	5.2%	9.2%	9.9%	—
United States	$ 44,401	$ 46,287	$ 48,060	$ 48,971	$ 51,004	$ 53,309	$ 55,547	$ 59,151	$ 64,427	$ 65,473
% Change	0.4%	4.2%	3.8%	1.9%	4.2%	4.5%	4.2%	6.5%	8.9%	1.6%
Labor force and employment (in thousands)										
California										
Civilian labor force	18,573	18,941	18,996	19,099	19,319	19,534	18,743	18,920	19,234	19,240
Employed	17,044	17,600	17,894	18,141	18,515	18,740	16,104	17,367	18,445	18,326
Unemployed	1,530	1,341	1,102	957	804	794	2,640	1,553	789	914
Unemployment rate	8.2%	7.1%	5.8%	5.0%	4.2%	4.1%	14.1%	8.2%	4.1%	4.7%
United States unemployment rate	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.3%	3.6%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of August 2024.

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

[2] Calculated by dividing total personal income by population.

Schedule of Employment by Industry

For Calendar Years 2013 and 2022

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

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The ***operating information*** schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

Fiscal Year	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319

Fiscal Year	General Government[1]	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing[1]	Transportation[1]	Corrections and Rehabilitation	Total
2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680
2017	44,844	154,479	41,350	23,880	5,153	38,375	53,662	361,743
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520
2019	44,989	164,337	40,761	24,447	5,644	39,670	57,140	376,988
2020	45,028	166,059	41,965	25,410	5,876	40,316	57,812	382,466
2021	45,300	166,799	48,596	26,187	6,008	40,454	57,350	390,694
2022	50,360	169,350	51,137	30,701	7,430	41,444	61,823	412,245
2023	52,052	176,300	50,670	33,210	7,749	42,477	64,828	427,286

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

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

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

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
State Lottery										
Total revenue [1]	$ 5,035	$ 5,525	$ 6,276	$ 6,233	$ 6,966	$ 7,388	$ 6,622	$ 8,418	$ 8,853	$ 9,239
Allocation to Education Fund [1]	$ 1,328	$ 1,364	$ 1,563	$ 1,499	$ 1,665	$ 1,825	$ 1,437	$ 1,863	$ 2,020	$ 2,257
Judicial Council of California										
Supreme Court [2, 9]										
Cases filed	7,911	7,871	8,090	7,325	6,825	6,896	6,485	6,542	5,680	5,490
Cases disposed	7,773	7,554	7,953	6,993	6,726	7,048	6,354	6,314	5,776	5,764
Courts of Appeal [9]										
Notices of appeal filed [3]										
Civil	5,983	6,062	5,935	5,975	6,002	5,697	5,144	4,769	5,390	5,904
Criminal	6,373	7,113	6,714	5,593	5,221	5,577	6,286	4,546	4,321	6,665
Juvenile	2,857	3,036	3,025	3,029	3,068	3,332	2,818	3,223	3,916	3,689
Trial Courts [9]										
Total civil cases [4]										
Filings	1,264,983	1,145,892	1,148,205	1,198,076	1,235,568	1,289,017	1,112,225	989,249	1,019,879	1,114,331
Dispositions	1,216,185	1,118,443	1,031,105	1,039,092	985,039	1,110,908	996,977	572,540	602,481	605,058
Department of Food and Agriculture										
Milk production (million lbs.) [5, 9]	42,339	40,897	40,469	39,798	40,404	40,595	41,311	41,861	41,800	40,902
Farm land (thousand acres) [5]	25,200	24,900	24,800	24,500	24,300	24,300	24,300	24,300	24,200	23,800
Education										
Public Colleges and Universities										
Fall enrollment [9]										
Community Colleges	1,664,174	1,674,652	1,674,798	1,681,195	1,681,514	1,659,399	1,459,960	1,355,658	1,386,854	1,517,943
California State University	460,200	474,571	478,638	484,297	481,210	481,929	485,550	477,466	457,992	454,640
University of California	252,263	257,438	270,112	278,996	286,271	285,216	285,862	294,662	294,309	295,573
K-12 Schools										
Fall enrollment [9]										
Public	6,236,672	6,235,520	6,226,737	6,228,235	6,220,413	6,186,278	6,163,001	6,002,523	5,852,544	5,837,690
Private	511,286	503,295	500,543	490,966	488,854	495,693	488,984	471,653	498,486	516,571

(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 2023 is projected.

N/A = Not Available

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Health and Human Services										
Department of Public Health										
Vital statistics										
Live births [5, 10]	502,973	491,789	488,925	471,806	454,244	446,548	448,758	436,883	437,326	435,328
Department of Social Services										
Calfresh programs households (avg. per month)	2,004,016	2,102,031	2,130,583	2,032,818	1,979,526	1,782,500	2,249,323	2,446,529	2,618,623	2,963,047
Employment Development Department										
Number of employed [5, 6, 9]	15,992,500	16,474,300	16,905,700	17,249,500	17,593,600	17,583,000	16,593,800	17,162,300	18,089,000	18,231,700
Resources										
Department of Fish and Wildlife										
Sport fishing licenses sold [5, 9]	2,491,578	2,485,400	2,508,490	2,502,863	2,498,077	2,371,800	2,780,352	2,713,545	2,430,559	2,477,182
Hunting licenses sold [5, 9]	1,980,655	2,131,655	2,143,146	2,143,026	2,113,888	2,043,323	2,404,425	2,387,932	2,066,134	2,129,959
California Energy Commission										
Electrical energy generation										
plus net imports (gigawatt hours) [9]	296,147	295,878	290,797	292,115	285,884	278,177	274,254	281,001	288,010	N/A
Business, Consumer Services, and Housing										
Franchise Tax Board										
Personal Income Tax [5, 9]										
Number of tax returns filed	15,856,019	16,293,947	16,586,622	16,888,470	17,101,753	17,530,141	18,381,491	17,978,845	17,475,057	N/A
Taxable income [1]	$ 1,057,520	$ 1,127,700	$ 1,159,688	$ 1,259,819	$ 1,357,636	$ 1,412,083	$ 1,519,003	$ 1,842,709	$ 1,690,306	N/A
Total tax liability [1]	$ 65,459	$ 70,677	$ 71,558	$ 79,999	$ 87,168	$ 90,071	$ 103,753	$ 125,851	$ 97,583	N/A
Corporation Tax [5, 9]										
Number of tax returns filed	828,080	865,593	900,358	936,211	974,652	1,003,389	1,048,599	1,063,592	1,109,201	N/A
Income reported for taxation [1]	$ 122,976	$ 140,534	$ 129,452	$ 127,290	$ 172,954	$ 191,621	$ 168,413	$ 264,189	$ 255,955	N/A
Total tax liability [1]	$ 8,593	$ 9,235	$ 9,276	$ 8,822	$ 11,625	$ 13,861	$ 15,174	$ 27,754	$ 26,430	N/A
Transportation										
California Highway Patrol										
Total number of DUI arrests [5]	75,871	65,016	63,210	58,894	59,708	66,059	55,692	60,271	57,244	58,764
Department of Motor Vehicles										
Motor vehicle registration [5, 9]	32,980,355	34,346,325	34,721,195	35,391,347	35,707,821	36,423,657	35,820,417	36,229,205	35,656,590	35,727,841
License issued by age [5, 7, 9]										
Under age 18	223,024	221,250	225,569	219,572	213,402	215,084	182,187	205,668	207,465	208,109
Between 18-80	24,195,705	25,089,910	25,639,270	26,078,773	26,275,559	26,439,138	26,063,084	26,560,379	26,763,045	26,802,930
Over age 80	595,739	603,691	619,807	659,530	647,831	650,998	624,254	696,062	750,908	754,339
Department of Transportation										
Highway center-line miles – rural [5, 8, 9]	10,312	10,407	10,259	10,259	10,259	10,511	10,458	10,430	N/A	N/A
Highway center-line miles – urban [5, 8, 9]	4,788	4,686	4,833	4,833	4,833	4,547	4,564	4,597	N/A	N/A
Correctional Programs										
Department of Corrections and Rehabilitation										
Division of Adult Institutions										
Institution population at December 31 each year	134,431	127,815	129,415	130,263	127,709	124,027	95,432	99,729	91,385	94,188
Division of Juvenile Justice										
Institution population at June 30 each year	675	681	690	638	629	720	782	677	558	N/A

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Department of Food and Agriculture										
Vehicles and mobile equipment	747	747	752	677	823	633	780	752	672	672
Square footage of structures (in thousands)	455	455	455	462	384	384	384	394	394	394
Department of Justice										
Vehicles and mobile equipment	520	520	484	511	509	495	485	549	536	536
Department of Military										
Vehicles and mobile equipment	211	211	217	218	261	221	241	212	212	212
Square footage of structures (in thousands)	4,019	3,977	3,965	3,954	3,770	3,268	3,254	3,253	3,217	3,191
Department of Veterans Affairs										
Veterans homes	8	8	8	8	8	8	8	8	8	8
Vehicles and mobile equipment	285	285	235	280	292	247	276	279	278	278
Square footage of structures (in thousands)	2,543	2,541	2,541	2,552	2,552	2,536	2,541	2,541	2,541	2,524
Education										
California State University										
Vehicles and mobile equipment	4,555	4,619	4,945	4,838	5,216	5,246	5,397	5,447	5,434	5,467
Campuses	23	23	23	23	23	23	23	23	23	23
Square footage of structures (in thousands)	73,316	73,988	75,292	75,786	76,227	76,969	78,447	79,572	80,271	81,973
Health and Human Services										
Department of Developmental Services										
Vehicles and mobile equipment	424	571	640	559	616	600	490	418	392	392
Developmental centers	4	3	3	3	3	2	2	2	2	2
Square footage of structures (in thousands)	5,308	4,699	3,664	3,664	3,595	3,578	2,321	2,321	2,321	2,321
Department of State Hospitals										
Vehicles and mobile equipment	886	752	678	674	728	820	969	900	973	973
State hospitals	7	7	8	5	5	5	5	5	5	5
Square footage of structures (in thousands)	6,460	6,445	6,445	5,944	5,944	6,425	6,433	6,478	6,485	6,485

(continued)

Source: California Department of General Services (DGS).

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

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Resources										
Department of Fish and Wildlife										
Vehicles and mobile equipment	2,954	2,954	3,104	3,126	2,970	3,266	3,334	3,392	3,167	3,167
Square footage of structures (in thousands)	1,311	1,311	1,297	1,322	1,322	1,333	1,333	1,333	1,334	1,333
Department of Forestry and Fire Protection										
Vehicles and mobile equipment	2,748	2,748	3,151	3,073	3,115	3,144	3,090	3,681	3,608	3,608
Square footage of structures (in thousands)	3,632	3,664	3,666	3,677	3,640	3,626	3,654	3,765	3,762	3,775
Department of Parks and Recreation										
Vehicles and mobile equipment	3,489	3,489	3,538	3,542	3,804	3,571	3,794	3,835	3,878	3,878
State Parks	279	280	280	280	280	280	280	279	280	280
Acres of state park land (in thousands)	1,590	1,605	1,605	1,617	1,619	1,618	1,641	1,360	1,643	1,643
Square footage of structures (in thousands)	6,751	6,761	6,790	7,363	7,360	7,544	7,554	7,558	7,429	7,224
State Lands Commission										
Vehicles and mobile equipment	41	41	41	43	48	42	43	44	43	43
Acres of land (in thousands)	4,489	4,482	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	554	554	588	596	600	622	671	614	612	612
Department of General Services										
Vehicles and mobile equipment	5,053	5,053	4,697	4,476	4,465	4,552	4,664	4,838	4,838	4,876
Square footage of structures (in thousands)	19,367	19,448	19,311	19,487	19,565	19,490	20,267	20,285	22,017	22,031
Transportation										
California Highway Patrol										
Vehicles and mobile equipment	5,170	5,170	5,167	5,336	4,912	4,946	4,807	5,656	5,362	5,362
Square footage of structures (in thousands)	1,166	1,169	1,211	1,191	1,182	1,199	1,301	1,302	1,308	1,308
Department of Motor Vehicles										
Vehicles and mobile equipment	295	295	287	276	283	266	314	308	314	314
Square footage of structures (in thousands)	1,845	1,786	1,780	1,777	1,785	1,785	1,785	1,785	1,785	1,785
Department of Transportation										
Vehicles and mobile equipment	11,596	11,596	11,776	11,585	11,494	11,483	11,449	11,416	11,303	11,303
Square footage of structures (in thousands)	7,960	7,965	7,968	7,960	7,933	8,074	8,096	8,365	8,402	8,783
Correctional Programs										
Department of Corrections and Rehabilitation										
Vehicles and mobile equipment	5,137	5,968	5,291	8,079	7,571	7,139	7,312	7,632	8,356	8,356
Prisons and juvenile facilities	37	39	39	40	39	39	39	38	37	33
Square footage of structures (in thousands)	40,726	40,590	40,485	42,198	42,209	42,605	42,936	42,932	42,932	42,940

(concluded)

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Office of the State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

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TABLE OF PARTICIPATING AGENCIES

$585,920,000[*]
Lease Revenue Bonds
2025 Series A
(Various Capital Projects)

$103,710,000[*]
Lease Revenue Bonds
(Judicial Council of California)
2025 Series B
(Sacramento County Courthouse)
(Federally Taxable Bonds)

Summary of Bond Information[(1)]

Participating Agency	***Facility***	***Principal Amounts***
Department of General Services	Sacramento Region: Gregory Bateson Building Renovation	
Judicial Council	Sacramento County Courthouse	
	Total 2025A Bonds	
Judicial Council	Sacramento County Courthouse	
	Total 2025B Bonds	

(1) Detailed facility descriptions are provided in Appendix B to this Official Statement.

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[*] Preliminary, subject to change.