

State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2020



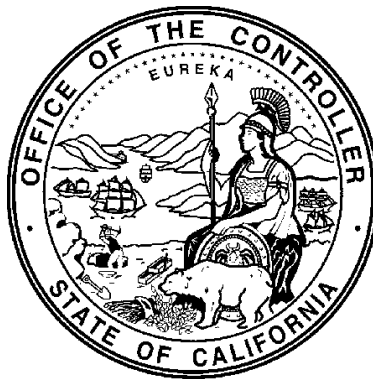
BETTY T. YEE

California State Controller's Office

STATE OF CALIFORNIA

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2020



*Prepared by
The Office of the State Controller*

BETTY T. YEE
California State Controller

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Introductory Section



BETTY T. YEE
California State Controller



BETTY T. YEE

California State Controller

February 2, 2022

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

I hereby submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020, in accordance with the requirements set forth in Government Code section 12460. This annual report is prepared in accordance with accounting principles generally accepted in the United States. The ability of the State Controller's Office (SCO) to produce this report is dependent on timely receipt of accurate financial statements by each and every state department. It is intended to provide timely and accurate information to help readers gain a reasonable understanding of the state's financial activities. Although there is no statutory deadline for completion and submission of this report, its lateness warrants an explanation that I provide below.

Beginning in March 2020, the COVID-19 pandemic caused immediate disruption to the daily lives of Californians, triggering sudden severe economic consequences for many of the state's residents and businesses while threatening the onset of a recession. In spite of mandated economic shutdowns in response to the pandemic, California closed the fiscal year ended June 30, 2020, with General Fund revenues of \$155.9 billion, a \$15.4 billion increase over the previous fiscal year. While the state primary government experienced a slight decrease in net position of \$338 million for the fiscal year, California's revenue exceeded expenses by \$9.4 billion for governmental activities. Governmental activities include most expenses normally associated with state government such as health and human services, education, transportation, corrections and rehabilitation programs, and general government administration.

California has embarked upon a remarkable economic recovery since the initial stages of the pandemic. Revenue collections for fiscal year 2020-21 were higher than expected by approximately \$4.8 billion; the 2021 Budget Act allocated an estimated \$47.0 billion General Fund surplus; and preliminary estimates predict a surplus of \$31.0 billion for fiscal year 2022-23. I commend the Governor and the Legislature for their attentiveness in developing budget solutions to close the gaps between projected revenues and expenditures, maintain and build upon reserves, and secure and allocate essential federal resources to statewide programs.

Since 2018, my office has raised increasing concerns with various stakeholders about California's ability to release a timely and accurate ACFR. Prior to fiscal year 2017-18, the ACFR was published annually near the end of March following each fiscal year in compliance with the state's bond disclosure requirements. In recent years, the ACFR for fiscal year 2017-18 was published in June; the fiscal year 2018-19 ACFR was published in October; and now, the fiscal year 2019-20 report in February. The progressive delay of these reports is attributable in large part to reporting challenges experienced by departments in their transition to the Fiscal Information System for California (FI\$Cal). These challenges have been underscored by deficiencies in business processes, human resource planning, and system functional design. For the fiscal year ended June 30, 2020, over one-third of the more than 1,700 departmental financial statements was

submitted to SCO in excess of 90 days late. More than 10 months after the departmental reporting deadline, dozens of significant financial reports from large state departments still had not been submitted to SCO. Not much improvement has been made in the timeliness and level of accuracy of departmental financial reporting for the fiscal year ended June 30, 2021, either, as hundreds of financial reports still have not been submitted to SCO as of the date of this ACFR transmittal. Despite extensive training provided to departments by the FISCAL project, SCO staff has been stretched to provide an increasing amount of support to FISCAL departments struggling to comply with statewide accounting guidelines and fulfill their annual reporting responsibilities.

I have consistently emphasized the need for accountability, transparency, and accuracy in the State's financial reporting process. To provide value to stakeholders, financial reporting must be both timely and accurate. The challenges the state has experienced in its transition to FISCAL have been thoroughly documented and are now readily apparent. In its recent *FISCAL Status* report, dated January 4, 2022, the California State Auditor (CSA) highlighted missed FISCAL project dates, insufficient staffing for project completion and maintenance, and continued financial reporting delays that potentially compromise the state's credit rating and access to federal funds. In addition, CSA's *Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2020*, which should be read in conjunction with this report, identified multiple departments that failed to consistently reconcile their FISCAL accounting records to supporting information and to the accounts of SCO prior to submitting their year-end financial reports for inclusion in the ACFR, a practice that my office adamantly opposes. Such reconciliations should be an inherent requirement of a viable stand-alone accounting system, and unsatisfactory reconciliations have been a large contributor to reporting delays. The CSA's report also identified "pervasive" findings in the overall information technology general controls environment of FISCAL, which present a considerable risk to the state if unaddressed. Finally, CSA's report identified material and pervasive accounting and reporting deficiencies involving the State's unemployment programs, linked to a large state department's transition to FISCAL. These deficiencies resulted in the modified audit opinions expressed by CSA on the accompanying financial statements of the state for the year ended June 30, 2020, the first modified opinion received on California's ACFR in nearly two decades.

While my office remains committed to full implementation of FISCAL, I must emphasize again that the project is far from complete. The vast majority of the functionalities that support the Controller's constitutional duties, statewide accounting internal control procedures, and other crucial standard accounting best practices currently embedded into the SCO legacy accounting systems to promote fiscal governance and oversight are not included within the scope of the FISCAL project. This poses the most significant risk to the SCO transition to FISCAL as the accounting Book of Record, because it undermines the reliability of FISCAL as a statewide comprehensive accounting system. While collective efforts continue from the administration, SCO, Department of Finance, and other stakeholders to remedy delinquent departmental financial reporting statewide and bring the FISCAL project to completion, these goals cannot be pursued at the expense of the integrity and accuracy of this report.

I extend my sincere gratitude to all state government agencies for their support and cooperation in submitting the required information for the ACFR. Thank you to the California State Auditor's office for maintaining the highest standards of professionalism in overseeing the accountability of the state's finances. Finally, I wish to thank my entire team in the State Controller's Office for their skill, effort, and persistence in completing this complex financial report notwithstanding formidable challenges.

Sincerely,

Original signed by

BETTY T. YEE

Report Overview

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

The California State Auditor has issued a *modified opinion* on several components of the State's basic financial statements for the year ended June 30, 2020, 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 the additional description provided below:

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

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

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

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the year ended June 30, 2020, and its economic performance and outlook for the year ended June 30, 2021, and beyond. The MD&A complements this transmittal letter 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 2020, is estimated to be almost 40 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and the State Superintendent of Public Instruction. All officers of the Executive branch are elected to a four-year term. The Legislative branch of government is the State's law-making authority and is made up of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

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

The State of California provides a wide range of services to its citizens, including social, health, and human services; 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 also is 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 to primary government and for expenditures of each appropriation contained in the budget. The State's annual budget is submitted by the Governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the Legislature by June 15 each year. This annual budget serves as the foundation for the State's financial planning and control. Additional information on the budgetary basis of accounting can be found in Note 2, Budgetary and Legal Compliance, in the Budgetary Comparison Schedule at the end of the nonmajor governmental funds combining statements, and in the Required Supplementary Information section of the ACFR that follows the Notes to the Financial Statements.

Overview of the State's Economy

California's economy, the largest among the 50 states, accounted for 14.8% of the U.S. Gross Domestic Product (GDP) in 2020 and was ranked fifth largest in the world (in terms of GDP) at the end of the year. The sectors of the California's diverse economy include high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's real GDP totaled \$2.8 trillion at fiscal year-end, and, as the nation's leader in agricultural production, the State's farming operations generated over \$50.0 billion in cash receipts for the 2019 crop year. In 2020, California exported \$156.0 billion in products; its three largest export markets are Mexico (\$24.1 billion), Canada (\$15.9 billion), and China (\$15.0 billion). California's six largest exports are computer and electronic products, transportation equipment, machinery (except electrical), chemicals, miscellaneous manufactured commodities, and food and kindred products. California also enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2020, California's travel and tourism industry was struck particularly hard by the COVID-19 pandemic. Revenues from travel and tourism declined by 55% from the prior year to \$65.1 billion, while travel-generated state and local tax revenues declined by 50% from the previous year to \$6.1 billion.

Budget Outlook

Fiscal Year 2020-21

The Governor's enacted 2020-21 Budget aspired to close an estimated \$54.3 billion funding gap caused by the COVID-19 pandemic, and significantly reduce the State's structural deficit. The State's prudent fiscal management—including its structurally balanced budgets and record reserves—put it in a strong position to contend with the challenges related to the economic crisis caused by the pandemic. The enacted Budget projected General Fund revenues of \$137.7 billion after a \$7.8 billion transfer from the Budget Stabilization Account (BSA), the State's rainy day fund. As the COVID-19 pandemic impacted every sector of the State's economy, the Budget made investments to save lives, support job creation, promote economic recovery, protect public education, and support Californians facing the greatest hardships.

Fiscal Year 2021-22

The State has laid the foundation for a strong economic recovery amid the uncertainty of the pandemic. On June 28, 2021, the State enacted the 2021-22 Budget Act. The Budget strives to maintain the State's economic resiliency by building reserves and paying down debt, providing immediate relief for families and small businesses, developing the State's workforce and expanding job opportunities for all Californians, confronting homelessness, promoting housing affordability, improving health care equity, reducing poverty, investing in the State's infrastructure, and proactively addressing environmental issues. By the end of fiscal year 2021-22, the Budget projects an increase in reserves to a total of \$25.2 billion—\$15.8 billion in the BSA, \$4.5 billion in the Public School System Stabilization Account, \$4.0 billion in the Special Fund for Economic Uncertainties, and \$900 million in the Safety Net Reserve.

The 2021-22 Budget projects General Fund revenue of \$175.3 billion (\$203.6 billion after transfers) and expenditures of \$196.4 billion. The Budget anticipates decreased revenue from personal income taxes and corporation taxes, and increased revenue from sales and use taxes. Personal income taxes contribute the majority of General Fund revenue at 70% (\$123.3 billion), sales and use taxes contribute 17% (\$29.0 billion), and corporation taxes contribute 10% (\$18.1 billion).

Long-term Financial Planning

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

- The State continues its financial recovery from the impact of the COVID-19 pandemic with strong revenue projections. The 2020-21 Budget reflected a surge in expected revenues of 23.8% over the prior year. The 2021-22 Budget estimates that future personal income tax revenues will decline slightly, from \$124.2 billion in fiscal year 2020-21 to \$123.3 billion in fiscal year 2021-22. The Budget estimates an increase in sales and use tax revenues from \$27.9 billion to \$29.0 billion over the same period. Personal income tax revenues and sales and use tax revenues are projected to rise to \$133.6 billion and \$30.5 billion, respectively, in the 2024-25 fiscal year.
- In response to the financial uncertainties of the pandemic, the State negotiated in the enacted 2020-21 Budget temporary salary reductions of approximately 10% for its employees, the deferral of scheduled pay increases, and a temporary freeze on employee prefunding contributions for other post-employment benefits (OPEB), for a savings of \$2.8 billion. The State revisited collective bargaining negotiations following improvements in its financial condition during the year, which resulted in an end to the temporary salary reductions and pay increase deferrals, and resumption of employee OPEB contributions in fiscal year 2021-22.
- The Budget Act of 2021 reflects the State's commitment to addressing its unfunded pension liabilities over the long term. The Budget includes \$2.5 billion in supplementary pension payments to further reduce the unfunded liabilities. The State's employee collective bargaining units and excluded and exempt employees have agreed to prefund retiree health benefits. As a result, more than \$3.9 billion is currently set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach \$5.9 billion in assets by the end of the 2021-22 fiscal year.
- California continues to face lengthening fire seasons and catastrophic wildfires; the 2020 fire season was recorded as the largest wildfire season in California's modern history, with over 4.2 million acres burned. The 2021 fire season saw almost 2.6 million acres burned. The 2021-22 Budget includes significant investments to advance wildfire prevention and all-hazard emergency preparedness and response efforts.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of California for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. While we believe that our current ACFR continues to meet the technical reporting requirements of the Certificate of Achievement Program, California is ineligible for an award for the fiscal year ended June 30, 2020, due to its significantly late reporting date and the receipt of modified auditor's opinions on the report. We intend to submit the fiscal year 2019-20 ACFR to the GFOA to receive technical feedback to benefit future reporting years.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Merrill

Executive Director/CEO

Principal Officials of the State of California

Executive Branch

Gavin Newsom
Governor

Eleni Kounalakis
Lieutenant Governor

Betty T. Yee
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
Malia M. Cohen, Member, Second District
Antonio Vazquez, Member, Third District
Mike Schaefer, Member, Fourth District

Legislative Branch

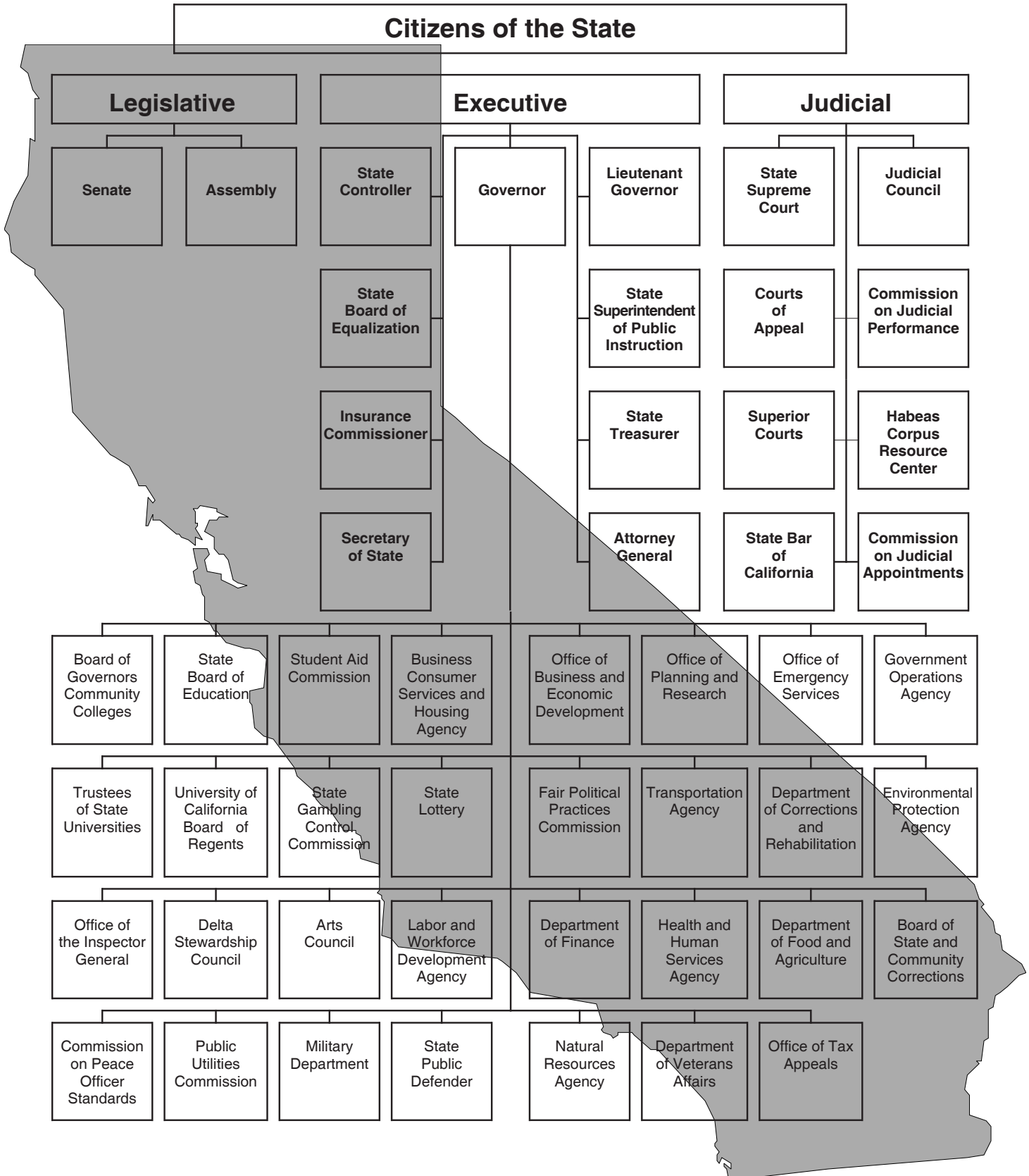
Toni G. Atkins
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Tani G. Cantil-Sakauye
Chief Justice, State Supreme Court

Organization Chart of the State of California



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Financial Section



Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent one percent of the assets and deferred outflows, and less than one percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 86 percent of the assets and deferred outflows, and 57 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 95 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- 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 83 percent of the assets and deferred outflows, and 45 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.

- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction Fund, the State Lottery Fund, and the Campus Foundations of the University of California, which represent 12 percent of the university's total assets and deferred outflows, and 5 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

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

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

Summary of Opinions

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

Basis for Disclaimer of Opinion on the Unemployment Programs Fund

The Employment Development Department had inadequate internal control over its accounting of money it received and spent related to unemployment benefits. As a result, the department was unable to provide complete and accurate accounting information supporting transfers from the Federal Fund to the Unemployment Programs Fund, and the amount of expenditures associated with the State's unemployment program and with federally-funded unemployment programs. The condition of the department's records did not permit us, nor was it practicable to extend other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that Due to Other Funds, Loans Payable and Distributions to Beneficiaries are free of material misstatement. As a result of this matter, we were unable to determine whether further audit adjustments to these accounts were necessary. The issues described above also contributed to material misstatements of \$1 billion in Unemployment and Disability Insurance Revenue and \$1.4 billion in Operating Transfers In that the department could not correct.

Disclaimer of Opinion on the Unemployment Programs Fund

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

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

The issues we discuss in the *Basis of Disclaimer of Opinion on the Unemployment Programs Fund* paragraph also affect the Business-Type Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Unemployment Programs Fund balances that represent 24 percent of Internal Balances, 100 percent of Loans Payable, and 100 percent of Unemployment Programs Expenses within Business-Type Activities. Similarly, there are material misstatements of \$1 billion in Unemployment Programs Revenues and \$1.4 billion in Transfers that the department could not correct.

The department's inadequate internal control also affected the financial statements of the Federal Fund, which the department uses to report activities related to federally-funded unemployment programs. For this reason, the department was unable to provide complete and accurate accounting information supporting revenue and benefit payments. In addition, the department used incomplete data to calculate adjustments related to potentially fraudulent unemployment claims. We were therefore unable to obtain sufficient appropriate evidence about these adjustments. Together, these issues affected department balances representing 30 percent of Due From Other Governments, 100 percent of Benefits Payable, 29 percent of Intergovernmental Revenues, and 33 percent of Health and Human Services Expenditures within the Federal Fund. As a result of these matters, we were unable to determine whether further audit adjustments to these accounts were necessary.

Qualified Opinions on Business-Type Activities and the Federal Fund

In our opinion, based on our audit and the reports of other auditors, except for the effect of the matters described in the *Basis for Qualified Opinions on Business-Type Activities and the Federal Fund* paragraphs, the financial statements of the Business-Type Activities and the Federal Fund of the State present fairly, in all material respects, their respective financial position, as of June 30, 2020, and their respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund except for the Federal Fund and Unemployment Programs Fund, and the aggregate remaining fund information of the State of California, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the financial statements for the fiscal year ended June 30, 2019, have been restated to correct a misstatement related to the Unemployment Programs Fund. This matter did not contribute to the modification of our opinion related to this fund.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

A handwritten signature in black ink that reads "Michael Tilden". The signature is written in a cursive, flowing style.

MICHAEL S. TILDEN, CPA
Acting California State Auditor

Sacramento, California

January 26, 2022

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, 2020. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

In the wake of the economic disruption caused by the COVID-19 pandemic during the last quarter of the fiscal year, California continued its decade-long trend of revenue growth during the year ended June 30, 2020. General revenues, comprised primarily of taxes, showed only modest growth, increasing by \$5.2 billion (3.0%) for fiscal year 2019-20, compared to an increase of \$11.2 billion (6.9%) in fiscal year 2018-19. For the first nine months of the fiscal year, the administration maintained its strategy of paying down liabilities and building reserves. By the end of the fiscal year, the spending focus shifted to using reserves responsibly and securing additional funding sources to address the State's mounting emergency financial needs stemming from the pandemic. In total, expenses and transfers for the State's governmental activities increased by \$59.2 billion (20.4%), but still remained less than total revenues received, resulting in an \$9.4 billion increase in the governmental activities' net position, as restated. On the contrary, expenses for the State's business-type activities exceeded total revenues and transfers, resulting in a \$9.7 billion decrease in the business-type activities' net position, as restated, for fiscal year 2019-20.

Net Position – The primary government ended fiscal year 2019-20 with a net deficit position of \$54.8 billion, a decrease of \$338 million (0.6%) from the previous year, as restated. The total net deficit position is reduced by \$119.7 billion for net investment in capital assets and by \$54.4 billion for restricted net position, yielding a negative unrestricted net position of \$228.9 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 81.6%, or \$186.8 billion, of the negative \$228.9 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 \$65.0 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, 2020, the primary government's governmental funds reported a combined ending fund balance of \$66.0 billion, which was an increase of \$11.0 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$17.3 billion, an increase of \$4.7 billion from the prior fiscal year unrestricted fund balance of \$12.6 billion. The nonspendable and restricted fund balances were \$2.1 billion and \$46.5 billion, respectively.

Proprietary Funds – As of June 30, 2020, the primary government’s proprietary funds reported a combined ending net deficit position of \$12.4 billion, a decrease of \$9.6 billion from the prior fiscal year, as restated. The total net position is reduced by \$3.4 billion for net investment in capital assets, expendable restrictions of \$7.9 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$23.7 billion.

Noncurrent Assets and Liabilities

As of June 30, 2020, the primary government’s noncurrent assets totaled \$177.8 billion, of which \$153.2 billion is related to capital assets. State highway infrastructure assets of \$79.6 billion represent the largest portion of the State’s capital assets.

The primary government’s noncurrent liabilities totaled \$304.7 billion, which consists of \$186.8 billion in unfunded employee-related future obligations, \$75.3 billion in general obligation bonds, \$28.1 billion in revenue bonds, and \$14.5 billion in other noncurrent liabilities. During fiscal year 2019-20, the primary government’s noncurrent liabilities increased by \$11.3 billion (3.8%) over the previously reported noncurrent liabilities. The net increase in noncurrent liabilities includes an increase of \$6.3 billion in net OPEB liability, an increase of \$2.2 billion in loans payable, and an increase of \$2.1 billion in net pension liability.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

- The *Statement of Net Position* presents all of the State’s financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.

- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

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

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

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

Fund Financial Statements

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

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

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

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.
 - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.
 - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.
- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

Discretely Presented Component Units Financial Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Financial Statements and Schedules

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

Government-wide Financial Analysis

Net Position

The primary government's combined net deficit position (governmental and business-type activities) decreased by \$338 million (0.6%), from a negative \$54.5 billion, as restated, to a negative \$54.8 billion at June 30, 2020.

The primary government's \$119.7 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 net deficit position includes another \$54.4 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, 2020, the primary government's combined unrestricted net deficit position was \$228.9 billion—\$208.0 billion for governmental activities and \$20.9 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation occurs, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2020, the primary government recognized \$186.8 billion (81.6% of the \$228.9 billion unrestricted net deficit) in unfunded employee-

related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized \$65.0 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 net deficit position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

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

Table 1

Net Position – Primary Government – Two-year Comparison

June 30, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 160,907	\$ 121,013	\$ 26,712	\$ 31,812	\$ 187,619	\$ 152,825
Capital assets	138,808	134,898	14,407	13,377	153,215	148,275
Total assets	299,715	255,911	41,119	45,189	340,834	301,100
DEFERRED OUTFLOWS OF RESOURCES						
Total assets and deferred outflows of resources	\$ 329,937	\$ 280,776	\$ 44,662	\$ 48,190	\$ 374,599	\$ 328,966
LIABILITIES						
Noncurrent liabilities	\$ 260,464	\$ 253,581	\$ 44,192	\$ 39,824	\$ 304,656	\$ 293,405
Other liabilities	97,103	64,452	6,546	5,016	103,649	69,468
Total liabilities	357,567	318,033	50,738	44,840	408,305	362,873
DEFERRED INFLOWS OF RESOURCES						
Total liabilities and deferred inflows of resources	374,462	335,501	54,980	49,428	429,442	384,929
NET POSITION						
Net investment in capital assets	116,773	112,280	2,907	2,534	119,680	114,814
Restricted	46,671	41,372	7,724	12,947	54,395	54,319
Unrestricted	(207,969)	(208,377)	(20,949)	(16,719)	(228,918)	(225,096)
Total net position (deficit)	(44,525)	(54,725)	(10,318)	(1,238)	(54,843)	(55,963)
Total liabilities, deferred inflows of resources, and net position	\$ 329,937	\$ 280,776	\$ 44,662	\$ 48,190	\$ 374,599	\$ 328,966

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

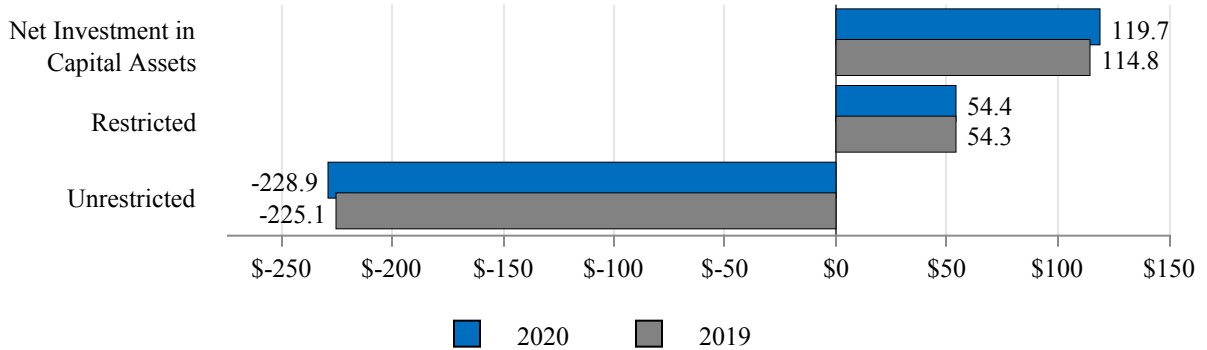
Chart 1 presents a two-year comparison of the State's net position.

Chart 1

Net Position – Primary Government – Two-year Comparison

June 30, 2020 and 2019

(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled \$387.0 billion for the fiscal year ended June 30, 2020. Of this amount, \$207.3 billion (53.6%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving \$179.7 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of \$179.4 billion were slightly less than the unfunded expenses. As a result, the total net position, as restated, decreased by \$338 million, or 0.6%.

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, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues:						
Charges for services	\$ 33,922	\$ 34,663	\$ 24,966	\$ 27,415	\$ 58,888	\$ 62,078
Operating grants and contributions	143,671	94,502	2,593	2,125	146,264	96,627
Capital grants and contributions	2,108	1,561	—	—	2,108	1,561
General Revenues:						
Taxes	178,051	173,011	—	—	178,051	173,011
Investment and interest	690	707	—	—	690	707
Miscellaneous	614	447	—	—	614	447
Total revenues	359,056	304,891	27,559	29,540	386,615	334,431
EXPENSES						
Program Expenses:						
General government	23,489	17,901	—	—	23,489	17,901
Education	75,804	75,644	—	—	75,804	75,644
Health and human services	192,576	144,937	—	—	192,576	144,937
Natural resources and environmental protection	10,111	9,774	—	—	10,111	9,774
Business, consumer services, and housing	2,604	2,133	—	—	2,604	2,133
Transportation	18,425	17,022	—	—	18,425	17,022
Corrections and rehabilitation	16,862	15,153	—	—	16,862	15,153
Interest on long-term debt	3,841	3,996	—	—	3,841	3,996
Electric Power	—	—	905	913	905	913
Water Resources	—	—	1,184	1,200	1,184	1,200
State Lottery	—	—	6,665	7,436	6,665	7,436
Unemployment Programs	—	—	23,622	13,229	23,622	13,229
California State University	—	—	10,593	9,779	10,593	9,779
Other enterprise programs	—	—	272	233	272	233
Total expenses	343,712	286,560	43,241	32,790	386,953	319,350
Excess (deficiency) before transfers	15,344	18,331	(15,682)	(3,250)	(338)	15,081
Gain on early extinguishment of debt	—	—	—	—	—	—
Transfers	(5,963)	(3,931)	5,963	3,931	—	—
Change in net position	9,381	14,400	(9,719)	681	(338)	15,081
Net position (deficit), beginning	(53,906) *	(69,125) *	(598) *	(1,919) *	(54,504)	(71,044)
Net position (deficit), ending	\$ (44,525)	\$ (54,725)	\$ (10,317)	\$ (1,238)	\$ (54,842)	\$ (55,963)

*Restated

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

Governmental Activities

During fiscal year 2019-20, governmental activities' expenses and transfers totaled \$349.7 billion. Program revenues totaling \$179.7 billion, including \$145.8 billion in federal grants and contributions, funded 51.4% of expenses and transfers, leaving \$170.0 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities (\$179.4 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of \$44.5 billion as of June 30, 2020, an improvement of \$9.4 billion (17.4%) over the prior year's restated net deficit position of \$53.9 billion.

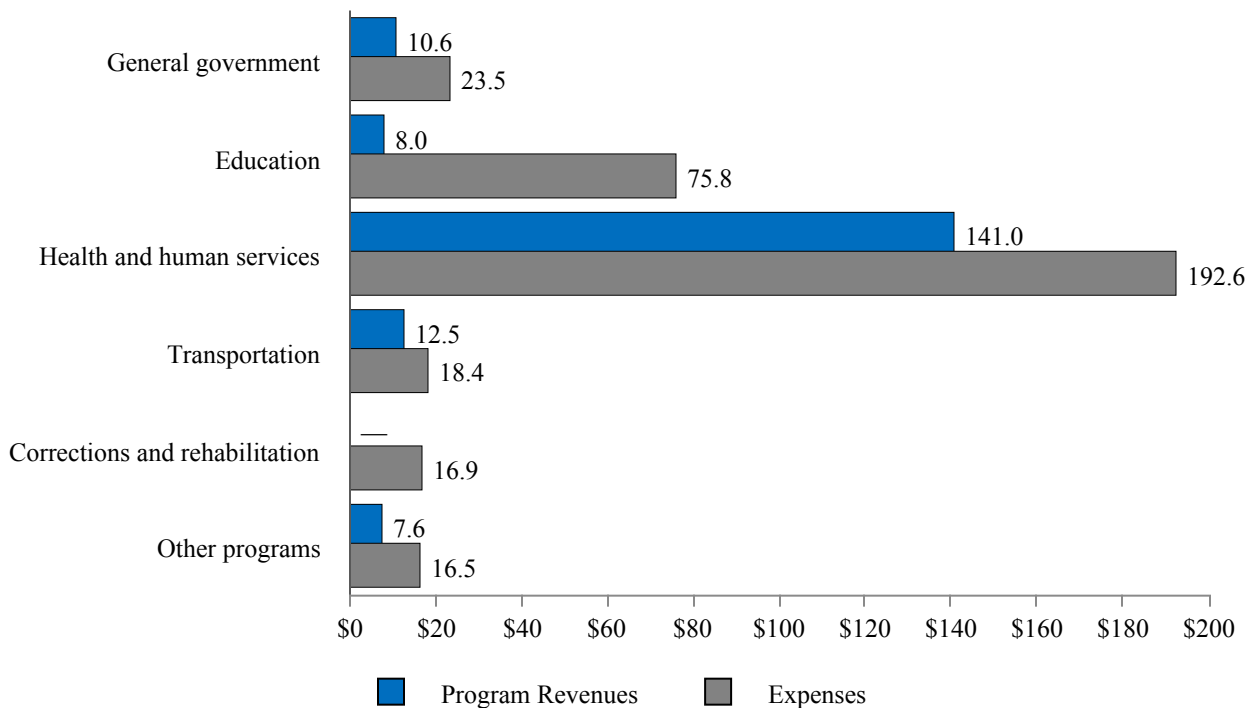
Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities

Year ended June 30, 2020

(amounts in billions)



For the fiscal year ended June 30, 2020, total governmental activities' revenue was \$359.1 billion, an increase of 17.8% over the prior year. General revenues increased by \$5.2 billion (3.0%), to \$179.4 billion, and program revenues increased by \$49.0 billion (37.5%), to \$179.7 billion. The rise in program revenues is due to an increase in federal grants and contributions for health and human services. Personal income taxes increased by \$7.7 billion over the prior year, representing a 7.6% increase compared to the fiscal year 2018-19 increase of 6.6%. The surprisingly stable growth in personal income tax revenues can be attributed to minimal job loss among higher-wage earners during the onset of the COVID-19 pandemic, as well as a strong recovery of the stock market at the close of the year from the initial economic shock caused by the pandemic. The Road Repair and Accountability Act of 2017

(Senate Bill 1) yielded moderate growth as motor vehicle excise tax revenues increased by \$244 million (3.2%) in the second year after enactment. Corporation taxes decreased by \$1.4 billion (9.9%) from the prior year.

Overall expenses for governmental activities increased by \$57.2 billion (19.9%) over the prior year. The largest increase in expenditures, \$47.6 billion (32.9%), occurred in health and human services programs. The majority of the increase is attributable to the Department of Health Care Services, which administers the California Medical Assistance (Medi-Cal) program.

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

Chart 3

Expenses by Program

Year ended June 30, 2020

(as a percent)

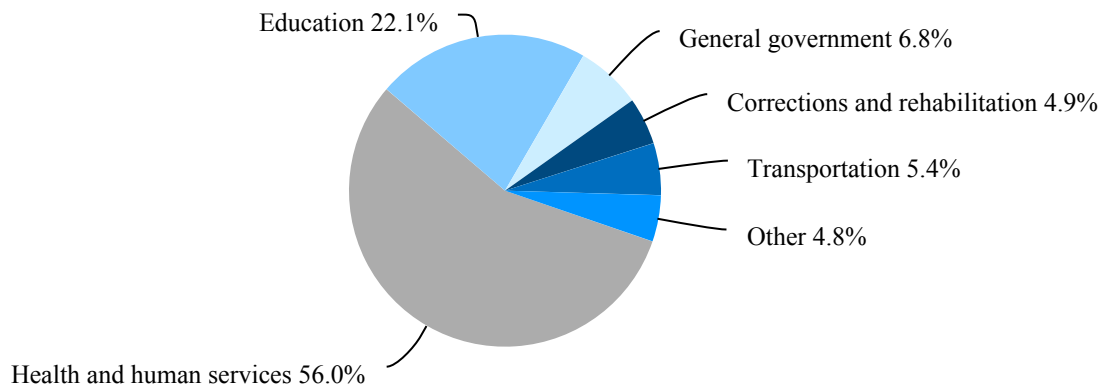


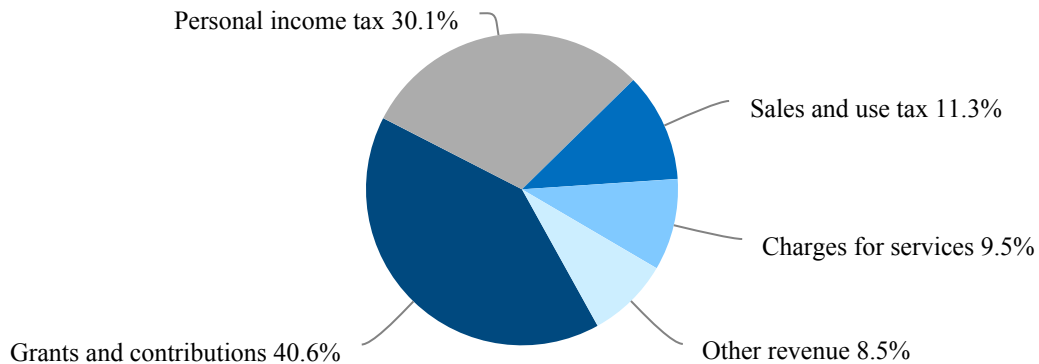
Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source

Year ended June 30, 2020

(as a percent)



Business-type Activities

As of June 30, 2020, business-type activities' expenses totaled \$43.2 billion. Program revenues of \$27.5 billion, primarily generated from charges for services, and \$6.0 billion in transfers, were not sufficient to cover these expenses. As a result, the business-type activities' total net deficit position declined to \$9.7 billion below the prior year's restated net deficit position of \$598 million, to a net deficit of \$10.3 billion at June 30, 2020.

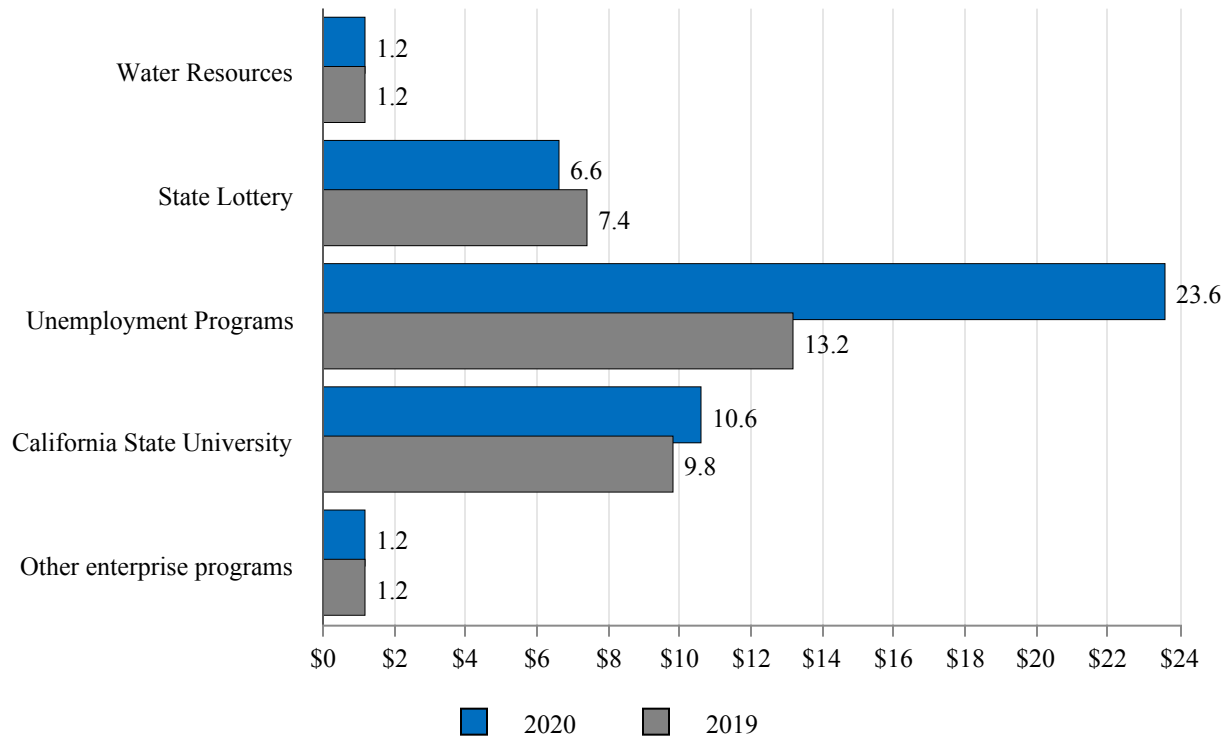
Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2020 and 2019

(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds improved in fiscal year 2019-20, with a combined fund balance increase of \$11.0 billion over the prior year's restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs. Of the State's "Big Three" taxes (personal income, sales and use, and corporation), personal income taxes increased during the fiscal year, while both sales and use and corporation taxes decreased. Proprietary funds' total net position decreased by \$9.6 billion during fiscal year 2019-20—comprised of a \$9.7 billion decrease for enterprise funds, offset by a \$91 million increase for internal service funds.

The decrease in the enterprise funds' net position is attributable to the Unemployment Programs Fund, with its fund balance dropping by \$9.7 billion to a deficit balance of \$1.0 billion.

Governmental Funds

As of June 30, 2020, the governmental funds' Balance Sheet reported \$170.6 billion in assets, \$104.6 billion in liabilities and deferred inflows of resources, and fund balances totaling \$66.0 billion. Total assets of governmental funds increased by 31.0%, while total liabilities and deferred inflows of resources increased by 39.0%, resulting in a total fund balance increase of \$11.0 billion (20.0%) above the prior year's restated balance.

Within the governmental funds' total fund balance, \$2.1 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, \$46.5 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, of the total fund balance, \$13.0 billion is classified as committed for specific purposes and \$3.1 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is \$1.1 billion—\$376 million more than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported \$362.2 billion in revenues, \$356.5 billion in expenditures, and a net \$5.3 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2020, was \$66.0 billion, an \$11.0 billion increase over the prior year's restated ending fund balance of \$55.0 billion.

Governmental funds' revenue consists primarily of taxes (50.3%) and intergovernmental revenue (41.1%). Personal income taxes accounted for 61.4% of tax revenues and increased by \$15.0 billion over the prior fiscal year. Sales and use taxes accounted for 22.3% of tax revenues and decreased by \$376 million from the prior fiscal year. Corporation taxes accounted for 7.5% of tax revenues and decreased by \$316 million from the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by \$49.1 billion (49.1%) over the prior fiscal year.

Governmental funds' expenditures increased by \$59.9 billion (20.2%) over the prior fiscal year, primarily for health and human services, general government, education, and transportation. The increase in health and human services expenditures of \$47.3 billion (32.7%) is due to increased spending on Medi-Cal. The general government's increase of \$8.1 billion (42.2%) in expenditures can be attributed to payments of outstanding debts and liabilities, in particular additional payments toward the unfunded pension liabilities associated with CalPERS and CalSTRS. Education expenditures increased by \$1.3 billion (1.7%) over the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in fiscal year 2019-20. Expenditures for transportation increased by \$2.1 billion (11.9%) due to the timing of expenditures related to highway projects, as well as an increase in available revenues for capital outlay projects and mass transportation, generated by the Road Repair and Accountability Act of 2017 (Senate Bill 1).

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, 2020 and 2019

(amounts in billions)

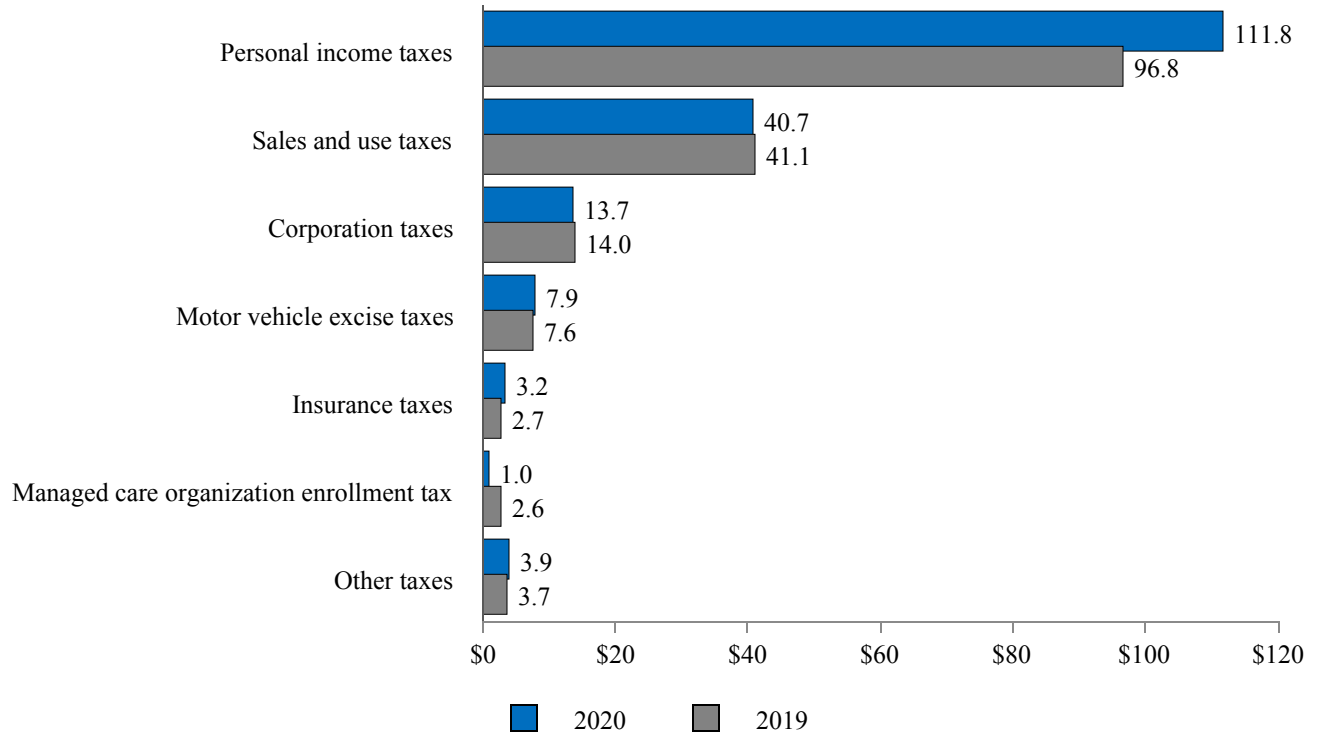


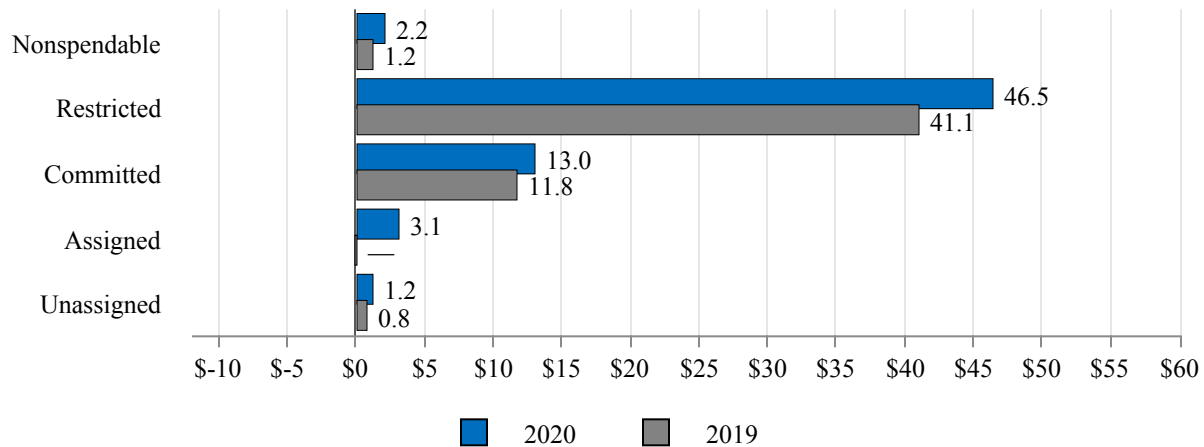
Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

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

Years ended June 30, 2020 and 2019

(amounts in billions)



Note: Assigned fund balance was \$19 million for 2019, which rounded to zero when presented 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 \$28.5 billion, an increase of \$10.3 billion over the prior year’s fund balance, as restated. The Federal Fund ended the year with a negative fund balance of \$2.2 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 \$9.3 billion, \$14.0 billion, and \$1.7 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of \$14.7 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State’s main operating fund) ended fiscal year 2019-20 with assets of \$57.0 billion; liabilities and deferred inflows of resources of \$28.5 billion; and nonspendable, restricted, committed, and assigned fund balances of \$2.1 billion, \$16.7 billion, \$3.0 billion, and \$3.1 billion, respectively. This left the General Fund with an unassigned fund balance of \$3.6 billion, an increase of \$2.9 billion over the prior year. Total assets of the General Fund increased by \$7.3 billion (14.6%) over the prior fiscal year, and total liabilities and deferred inflows of resources decreased by \$2.7 billion (8.5%) from the prior year.

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had revenues exceeding expenditures by \$17.4 billion (\$155.9 billion in revenues and \$138.5 billion in expenditures). Approximately \$149.5 billion (95.9%) of General Fund revenue is derived from the State’s largest three taxes—personal income taxes (\$110.3 billion), sales and use taxes (\$25.5 billion), and corporation taxes (\$13.7 billion). A total of \$489 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 2019-20, total General Fund revenue increased by \$15.4 billion (11.0%), attributed primarily to the increase in personal income taxes of \$15.3 billion (16.1%). General Fund expenditures increased by \$9.4 billion (7.3%). The largest increases were in health and human services and general government, which rose by \$4.3 billion and \$4.7 billion, respectively. The General Fund ended the fiscal year with a fund balance of \$28.5 billion, an improvement of \$10.3 billion over the prior year's restated ending fund balance of \$18.2 billion. The General Fund's ending fund balance includes \$16.1 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic encountered in the last quarter of fiscal year 2019-20.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, which accounted for \$127.9 billion (87.4%) of the total \$146.2 billion in fund expenditures. Education and transportation programs also constituted a large part of the fund's expenditures, amounting to \$8.1 billion (5.5%) and \$5.2 billion (3.6%) of the total, respectively. The Federal Fund's revenues increased by \$49.7 billion, which was offset by the combined increase in expenditures and transfers of \$52.1 billion, resulting in a \$2.4 billion decrease from the prior year's ending fund balance of \$223 million, to a \$2.2 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 \$394 million (2.6%) and its expenditures increased by \$522 million (3.3%), 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 \$494 million. The Transportation Fund ended the fiscal year with a \$9.3 billion fund balance, a decrease of \$22 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 decreased by \$1.1 billion (14.4%), and expenditures increased by \$1.7 billion (20.8%) due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Other financing sources provided net receipts of \$3.9 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a \$14.0 billion fund balance, an increase of \$371 million (2.7%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Programs Fund's revenues decreased by \$2.5 billion (22.3%), and expenditures decreased by \$3.1 billion (26.5%). Other financing sources provided net receipts of \$345 million. The Health Care Related Programs Fund ended the fiscal year with a \$1.7 billion fund balance, an increase of \$562 million over the prior year.

Proprietary Funds

Enterprise Funds: The total net deficit position of the enterprise funds at June 30, 2020, was \$10.3 billion—a \$9.7 billion decline from the prior year's restated net deficit position of \$598 million. The Unemployment Programs Fund accounted for effectively all the net decrease, ending the fiscal year

with a deficit net position of \$1.0 billion. The State Lottery Fund and the nonmajor enterprise funds increased their net positions by \$70 million and \$275 million, respectively, while the net position of the California State University Fund decreased by \$336 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$47.1 billion as of June 30, 2020. Of this amount, current assets totaled \$13.8 billion, noncurrent assets totaled \$29.8 billion, and deferred outflows of resources totaled \$3.5 billion. The total liabilities and deferred inflows of resources for the enterprise funds was \$57.3 billion. The three largest liabilities of the enterprise funds were \$16.2 billion in net OPEB liability, \$14.3 billion in revenue bonds payable, and \$9.3 billion in net pension liability. As of June 30, 2020, the Unemployment Programs Fund reported a balance on deposit with the U.S. Treasury of \$375 million, and a loan balance of \$2.3 billion with the U.S. Department of Labor. The loan balance increased to over \$19.5 billion by December 2020.

Total net position consisted of four segments: net investment in capital assets of \$2.9 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$7.7 billion, and unrestricted net deficit of \$20.9 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 \$23.5 billion, operating expenses of \$40.1 billion, and net revenues from other transactions and transfers of \$7.0 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$12.5 billion in the Unemployment Programs Fund, and lottery ticket sales of \$6.6 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund decreased by \$1.5 billion (10.6%) from the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$23.3 billion reported in the Unemployment Programs Fund, personal services expense of \$7.1 billion reported in the California State University Fund, and lottery prizes of \$4.4 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$2.1 billion as of June 30, 2020. The net position consists of three segments: net investment in capital assets of \$539 million, restricted expendable net position of \$164 million, and unrestricted net deficit position of \$2.8 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: private purpose trust funds, pension and other employee benefit trust funds, investment trust funds, and agency funds. The private purpose trust funds ended the fiscal year with a net position of \$10.1 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of \$672.1 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of \$32.1 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the fiscal year ended June 30, 2020, the fiduciary funds' combined net position was \$714.3 billion, a \$39.1 billion increase over 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 24.9% decrease in net investment income from the prior fiscal year.

General Fund Budget Highlights

The original General Fund budget of \$140.8 billion was increased by \$7.9 billion during fiscal year 2019-20. This increase is primarily attributed to additional funding for health and human services and general government.

The increase in health and human services funding was mainly due to the expiration of the managed care organization tax and a shift in the timing of payments in relation to the budget year.

Other general government funding increased due to the demand on the State to direct funding to crises through the Office of Emergency Services. The additional funding was to support the State's public health and safety efforts in response to the COVID-19 outbreak.

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, 2020

(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	\$ 674	\$ 1,238	\$ 564
Transportation	16	57	41
Natural resources and environmental protection	2,482	3,185	703
Health and human services	40,022	42,498	2,476
Corrections and rehabilitation	12,579	13,318	739
Education	73,174	73,970	796
General government:			
Tax relief	406	414	8
Debt service	4,816	5,238	422
Other general government	6,615	8,736	2,121
Total	\$ 140,784	\$ 148,654	\$ 7,870

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the State's investment in capital assets for its governmental and business-type activities amounted to \$152.9 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2020, the State’s capital assets increased by \$4.6 billion, or 3.1% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure, buildings and other depreciable property, and construction/development in progress. Additional information on the State’s capital assets can be found in Note 7.

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

Table 4

Capital Assets – Primary Government – Two-year Comparison

June 30, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 21,147	\$ 20,473	\$ 330	\$ 306	\$ 21,477	\$ 20,779
State highway infrastructure	79,552	78,418	—	—	79,552	78,418
Collections – nondepreciable	23	23	31	27	54	50
Buildings and other depreciable property	33,493	32,753	16,998	15,808	50,491	48,561
Intangible assets – amortizable	2,681	2,631	442	433	3,123	3,064
Less: accumulated depreciation/amortization	(17,076)	(16,143)	(7,067)	(6,574)	(24,143)	(22,717)
Construction/development in progress	18,142	16,149	3,209	3,258	21,351	19,407
Intangible assets – nonamortizable	846	593	124	119	970	712
Total	\$ 138,808	\$ 134,897	\$ 14,067	\$ 13,377	\$ 152,875	\$ 148,274

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 2019-20, the actual amount spent on preservation was 47.8% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State’s bridges and roadways is better than the established condition baselines, with 95.7% of bridge deck area judged to be of fair or better quality and 88.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 13,310 bridges and tunnels and 49,672 lane miles.

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

Debt Administration

At June 30, 2020, the State had total bonded debt outstanding of \$109.9 billion. Of this amount, \$79.7 billion (72.5%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is \$4.4 billion and the long-term portion is \$75.3 billion. The remaining \$30.2 billion (27.5%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is \$2.1 billion and the long-term portion is \$28.1 billion.

During the fiscal year, the State issued a total of \$7.8 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, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Government-wide noncurrent liabilities						
General obligation bonds	\$ 74,592	\$ 74,762	\$ 753	\$ 808	\$ 75,345	\$ 75,570
Revenue bonds payable	15,053	14,913	13,052	13,276	28,105	28,189
Total bonded debt	89,645	89,675	13,805	14,084	103,450	103,759
Net pension liability	82,816	81,300	9,274	8,730	92,090	90,030
Net other postemployment benefits liability	74,263	69,442	16,224	14,766	90,487	84,208
Mandated cost claims payable	1,782	1,815	—	—	1,782	1,815
Loans payable	146	199	2,272	—	2,418	199
Compensated absences payable	3,987	3,667	263	207	4,250	3,874
Workers' compensation benefits payable	4,192	3,958	10	5	4,202	3,963
Capital lease obligations	337	363	336	295	673	658
Commercial paper	1,109	1,033	1,049	778	2,158	1,811
Other noncurrent liabilities	2,187	2,128	958	959	3,145	3,087
Total noncurrent liabilities	260,464	253,580	44,191	39,824	304,655	293,404
Current portion of long-term obligations	5,891	6,240	2,110	2,582	8,001	8,822
Total long-term obligations	\$ 266,355	\$ 259,820	\$ 46,301	\$ 42,406	\$ 312,656	\$ 302,226

During the fiscal year ended June 30, 2020, the primary government's total long-term obligations increased by \$10.4 billion from the prior year's balance. The largest increases included \$2.1 billion in net pension liability and \$6.3 billion in net OPEB liability because the State does not fully fund these benefits. Another large increase in long-term obligations during the fiscal year was a \$2.2 billion increase in loans payable resulting from a new loan payable to the U.S. Department of Labor.

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

During the year ended June 30, 2020, the State's general obligation bonds rating from Fitch Ratings was raised to "AA" from "AA-", and the general obligation bonds rating from Moody's Investors Service was raised to "Aa2" from "Aa3." The State's general obligation bonds rating from Standard and Poor's Rating Services remained unchanged at "AA-".

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2020

The 2019-20 fiscal year was an unprecedented period for California's economy. Economic expansion and low unemployment continued through the first eight months of the year (through February 2020). However, by June 2020, the economic disturbance introduced by the COVID-19 pandemic led to steep declines in economic activity and a dramatic increase in unemployment. As of December 2019, California's real gross domestic product (GDP) had reached \$3.1 trillion, an increase of 5.2% compared to December 2018. By June 30, 2020, the State's GDP had declined to \$2.8 trillion, an overall decrease of 7.6% for fiscal year 2019-20. By comparison the economy experienced growth of 5.5% during fiscal year 2018-19. The decline in California's economic output after the dawn of the pandemic was less than that of the United States GDP, which decreased by 8.5% during fiscal year 2019-20.

California began the 2019-20 fiscal year with a stable unemployment rate of 4.1%, and in January 2020, the State posted its lowest unemployment rate on record under the methodology used since 1976, with a rate of 3.9%. By March 2020, however, the impact of the COVID-19 pandemic to California's workforce was becoming apparent, with unemployment increasing to 5.5%. By April 2020, the unemployment rate for California increased dramatically, reaching a record high of 16.0%, and holding steady through May before ending the fiscal year at 14.1% in June 2020. Total non-farm employment decreased by 1.8 million jobs during fiscal year 2019-20. Significant job losses were experienced in all of California's 11 major industry sectors. The largest losses were in the leisure and hospitality sector, which includes jobs in arts, entertainment, and recreation, as well as food service and accommodations. Jobs in this sector declined by nearly 36%, with over 727,000 jobs lost.

In spite of the COVID-19 pandemic, California's per capita personal income rose by 9.7%, which coincided with the national increase of 10.7%. Since 2010, California's personal income has grown an average of 5.8% per year, due largely to the low unemployment rate sustained during those years. During the same period, United States personal income grew an average of 5.0%. Effective January 1, 2020, California's minimum wage increased to either \$12.00 or \$13.00 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches \$15.00 per hour for all businesses in 2023.

The California real estate market stumbled initially in response to the COVID-19 pandemic, but began to rebound by June 2020, as low interest rates sustained the optimism for home buying. The median price of homes in California increased by 2.5% during the fiscal year to a record high of \$626,170 as of June 30, 2020, still more than double the national median price of \$294,400. While 30-year fixed mortgage rates dropped to an average of 3.16% in June 2020, compared to 3.80% in June 2019, sales of single-family homes declined by 12.8% during fiscal year 2019-20, compared to a 5.1% decline in fiscal year 2018-19. For the year ended June 30, 2020, commercial construction permits decreased 21.3% from the prior year. The number of residential building permits remained consistent at approximately

106,000 units. This is still well below the projected need to accommodate population growth, which may continue to drive housing prices up and affordability down.

Economic Conditions for the 2020-21 Fiscal Year and Future Outlook

California's economy made an emphatic recovery during the 2020-21 fiscal year. At June 30, 2021, the State's GDP approached \$3.3 trillion, an increase of 17.0% over the prior fiscal year. California's economic growth during fiscal year 2020-21 slightly outpaced the United States GDP, which increased by 16.8%. Additionally, California's economic output by the end of fiscal year 2020-21 surpassed its GDP prior to the onset of the COVID-19 pandemic by 6.7%. Personal income for Californians showed modest gains as well, increasing by 4.2% during fiscal year 2020-21, and exceeding the U.S. national increase in personal income by 3.1%.

The state unemployment rate steadily recuperated during the fiscal year, dropping from 14.1% at June 30, 2020, to 7.6% by June 30, 2021. The leisure and hospitality sector in particular began to rebound with 265,000 jobs gained during fiscal year 2020-21, an increase of 20.2%. At June 30, 2021, leisure and hospitality was still lacking nearly 500,000 jobs that existed prior to the COVID-19 pandemic, indicating that a long road to recovery still lies ahead for this sector.

The housing market showed encouraging signs of growth in fiscal year 2020-21 as well. Existing home sales in June 2021 totaled 436,020 units, an increase of 28.3% from June 2020. Tight supply and low interest rates contributed to a surge of the June 2021 statewide median home price to a record \$819,630, up 30.9% from June 2020. By comparison, the U.S. national median home price increased by 23.4% from June 2020 to June 2021, to \$363,300.

New vehicle registrations were another indicator of economic recovery for California, as the number of new vehicle registrations increased from 98,865 in June 2020 to 144,282 in June 2021, an improvement of 45.9%.

At the close of the 2020-21 fiscal year, the State's economy showed encouraging signs of growth and recovery from the initial impact of the COVID-19 pandemic. Sustainability of such recovery and growth still remains uncertain due to continued evolution of the pandemic and state inflation rates that elevated to 4.4% in fiscal year 2020-21, compared to just 1.4% in fiscal year 2019-20. Since June 2021, annual price inflation has exceeded 5.0% each month, compared to an average of about 2.0% over the last decade. Resurgent U.S. consumer demand met with continued frictions in production and transport of many goods has led to higher than normal growth in the prices of many goods and services. The consensus among economic forecasters is that this uptick in inflation should abate during 2022, but the range of potential outcomes varies widely.

California's 2020-21 Budget

California's 2020-21 Budget Act was enacted on June 29, 2020. The Budget Act appropriated \$202.1 billion—\$133.9 billion from the General Fund, \$62.1 billion from special funds, and \$6.1 billion from bond funds. The General Fund's budgeted expenditures decreased \$13.0 billion, or 8.9% from last year's General Fund budget. The General Fund's revenues were projected to be \$137.7 billion after a \$7.8 billion transfer from the Budget Stabilization Account (BSA), the State's rainy day fund. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 59.7% of total revenue in fiscal year 2020-21. California's major taxes (personal income, sales and use, and corporation taxes) are projected to supply approximately 88.3% of the General Fund's resources in the

2020-21 fiscal year. The General Fund was projected to end the 2020-2021 fiscal year with \$10.7 billion in total reserves—\$8.3 billion in the BSA, \$2.6 billion in the General Fund’s Special Fund for Economic Uncertainties (SFEU), \$450 million in the Safety Net Reserve (SNR), and an expected deficit of \$716 million from in COVID reserve. In addition to the required minimum annual transfer to the BSA, Proposition 2 requires the General Fund to make an equivalent minimum annual amount of debt reduction payments; the 2020-21 spending plan included \$2.0 billion of debt reduction expenditures.

The 2020-21 Budget Act decreased total State expenditures by \$12.9 billion from the 2019-20 budgeted level, driven by a decrease in budgeted General Fund expenditures of \$13.9 billion. Primary decreases in General Fund spending included reductions of \$10.2 billion for K-12 education, \$1.7 billion for higher education, and \$3.6 billion for general government. The General Fund’s share of Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges dropped by \$7.6 billion to \$45.1 billion.

Despite the unprecedented health pandemic in 2020, the 2020-21 Budget Act planned to close a \$54.3 billion deficit caused by the COVID-19 recession. Specific deficit reduction strategies included using \$8.8 billion in reserves, borrowing \$9.3 billion from special funds, temporarily suspending \$4.4 billion in incentive tax credits provided to businesses, cancelling \$10.6 billion in government program expansions, obtaining \$10.1 billion in expanded federal assistance, and initiating \$11.1 billion in funding reductions and deferrals that would be restored if certain federal funding targets were met.

Specific 2020-21 Budget provisions included a \$15.9 billion increase in Medi-Cal local assistance to address COVID-19 caseload growth, \$1.6 billion in additional funding for In-Home Supportive Services, increased CalWORKs costs projected to reach \$7.8 billion, and \$1.2 billion allocated across multiple departments and programs to aid local governments addressing homelessness.

California’s state government received \$9.5 billion from the Coronavirus Relief Fund. The 2020-21 Budget Act allocated \$4.5 billion of these funds to schools and community colleges to mitigate the effects of school closures related to COVID-19. The Budget also provided \$1.3 billion to counties and \$500 million to cities to be used to address homelessness, public health, public safety, and other services in the wake of the COVID-19 pandemic. An additional \$550 million was allocated to the Department of Housing and Community Development to provide housing for individuals and families who were homeless or at risk of homelessness due to the COVID-19 pandemic.

In June 2021, the 2021-22 Budget Act was enacted, and provided updated estimates of fiscal year 2020-21 General Fund revenues, expenditures, and reserves. The 2021-22 Budget Act projected fiscal year 2020-21 General Fund revenue of \$188.8 billion (after transfers), expenditures of \$166.1 billion, and total year-end reserves of \$14.7 billion—\$1.9 billion in the Public School System Stabilization Account, \$12.3 billion in the BSA and \$450 million in the SNR—which is \$4.0 billion more than projected in the 2020-21 Budget Act in June 2020.

California’s 2021-22 Budget

In June 2021, the fiscal year 2021-22 Budget Act was enacted. It includes projections of fiscal year 2021-22 General Fund revenues, expenditures, and reserves. The Budget estimates General Fund revenues of \$178.8 billion, a decrease of \$5.0 billion (2.7%) from fiscal year 2020-21 revenue estimates. Total General Fund sources are anticipated to decline by \$13.4 billion (7.1%) from the 2020-21 level, due primarily to a proposed transfer of \$3.4 billion from the General Fund to the BSA (a shift of

\$8.5 billion from the prior year budget), and projected reductions of personal income tax and corporation income tax revenues totaling \$4.5 billion. General Fund expenditures for fiscal year 2021-22 are budgeted at \$196.4 billion, an increase of \$30.4 billion (18.3%) compared to the fiscal year 2020-21 estimates. The Budget includes \$25.2 billion in estimated combined reserves, which is comprised of \$15.8 billion in the BSA for fiscal emergencies, \$4.5 billion in the Public School System Stabilization Account, \$4.0 billion in the state's operating reserve, and \$900 million in the Safety Net Reserve.

The fiscal year 2021-22 Budget Act includes historic investments in COVID-19 relief for families and small businesses through provisions such as the Golden State Stimulus and Golden State Grant programs. The Budget features \$6.4 billion in state-administered and direct local federal rent relief for individuals and families, as well as \$2.0 billion to pay down unpaid utility debt that accumulated during the pandemic. Additionally, the Budget expands relief to small businesses by adding \$1.5 billion to the State's earlier \$2.5 billion investment in the Small Business COVID-19 Relief Grant Program, which has helped approximately 210,000 businesses stay open and keep Californians employed.

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.

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Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2020

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 50,327,811	\$ 6,965,381	\$ 57,293,192	\$ 3,185,108
Amount on deposit with U.S. Treasury	—	374,933	374,933	—
Investments	452,442	2,571,906	3,024,348	10,701,579
Restricted assets:				
Cash and pooled investments	930,291	969,110	1,899,401	336,306
Investments	—	—	—	25,946
Due from other governments	—	182,839	182,839	—
Net investment in direct financing leases	12,349	12,723	25,072	—
Receivables (net)	50,584,339	2,051,446	52,635,785	6,369,717
Internal balances	1,813,175	(1,813,175)	—	—
Due from primary government	—	—	—	261,027
Due from other governments	46,661,936	381,608	47,043,544	174,578
Prepaid items	180,340	68,110	248,450	3,743
Inventories	74,186	22,776	96,962	340,359
Recoverable power costs (net)	—	102,000	102,000	—
Other current assets	101,386	3,609	104,995	470,999
Total current assets	151,138,255	11,893,266	163,031,521	21,869,362
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	143,195	640,239	783,434	56,075
Investments	—	352,821	352,821	96,303
Loans receivable	—	1,986,034	1,986,034	—
Investments	—	2,864,558	2,864,558	35,097,129
Net investment in direct financing leases	241,485	217,728	459,213	—
Receivables (net)	3,841,037	1,491,935	5,332,972	3,111,817
Loans receivable	5,542,256	5,704,650	11,246,906	3,083,515
Recoverable power costs (net)	—	16,000	16,000	—
Long-term prepaid charges	866	1,512,914	1,513,780	126
Capital assets:				
Land	21,146,866	330,410	21,477,276	1,533,820
State highway infrastructure	79,552,496	—	79,552,496	—
Collections – nondepreciable	22,682	30,956	53,638	617,001
Buildings and other depreciable property	33,493,712	17,337,284	50,830,996	60,271,363
Intangible assets – amortizable	2,681,165	442,447	3,123,612	1,850,861
Less: accumulated depreciation/amortization	(17,076,447)	(7,066,748)	(24,143,195)	(30,454,749)
Construction/development in progress	18,141,559	3,208,596	21,350,155	4,058,936
Intangible assets – nonamortizable	846,344	124,335	970,679	6,753
Other noncurrent assets	—	32,204	32,204	461,285
Total noncurrent assets	148,577,216	29,226,363	177,803,579	79,790,235
Total assets	299,715,471	41,119,629	340,835,100	101,659,597
DEFERRED OUTFLOWS OF RESOURCES	30,221,758	3,542,792	33,764,550	14,745,965
Total assets and deferred outflows of resources	\$ 329,937,229	\$ 44,662,421	\$ 374,599,650	\$ 116,405,562

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 41,149,796	\$ 850,410	\$ 42,000,206	\$ 3,854,513
Due to component units	261,027	—	261,027	—
Due to other governments	17,149,149	413,819	17,562,968	—
Revenues received in advance	9,630,625	288,073	9,918,698	1,809,465
Tax overpayments	5,440,959	—	5,440,959	—
Deposits	459,055	—	459,055	1,183,257
Contracts and notes payable	5,917	—	5,917	11,541
Unclaimed property liability	897,771	—	897,771	—
Interest payable	1,080,340	51,256	1,131,596	19,937
Securities lending obligations	—	—	—	429,311
Benefits payable	12,337,094	2,153,914	14,491,008	—
Current portion of long-term obligations	5,891,361	2,109,638	8,000,999	5,432,231
Other current liabilities	2,800,253	678,742	3,478,995	3,527,869
Total current liabilities	97,103,347	6,545,852	103,649,199	16,268,124
Noncurrent liabilities:				
Loans payable	145,949	2,271,930	2,417,879	16,265
Lottery prizes and annuities	—	709,190	709,190	—
Compensated absences payable	3,987,389	263,428	4,250,817	518,190
Workers' compensation benefits payable	4,191,575	10,004	4,201,579	495,558
Commercial paper and other borrowings	1,108,720	1,049,154	2,157,874	1,782
Capital lease obligations	336,720	336,175	672,895	378,373
General obligation bonds payable	74,592,076	753,217	75,345,293	—
Revenue bonds payable	15,052,805	13,052,485	28,105,290	23,628,697
Mandated cost claims payable	1,782,370	—	1,782,370	—
Net other postemployment benefits liability	74,263,396	16,223,564	90,486,960	24,158,206
Net pension liability	82,815,664	9,273,959	92,089,623	22,109,878
Revenues received in advance	—	6,980	6,980	6,157
Other noncurrent liabilities	2,187,088	242,282	2,429,370	3,198,953
Total noncurrent liabilities	260,463,752	44,192,368	304,656,120	74,512,059
Total liabilities	357,567,099	50,738,220	408,305,319	90,780,183
DEFERRED INFLOWS OF RESOURCES	16,894,716	4,241,953	21,136,669	7,592,521
Total liabilities and deferred inflows of resources	\$ 374,461,815	\$ 54,980,173	\$ 429,441,988	\$ 98,372,704

(continued)

Statement of Net Position (continued)

June 30, 2020

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 116,773,259	\$ 2,907,066	\$ 119,680,325	\$ 15,107,519
Restricted:				
Nonexpendable – endowments	—	1,677	1,677	8,030,212
Expendable:				
Endowments and gifts	—	—	—	13,449,007
General government	4,537,738	271,586	4,809,324	—
Education	1,589,856	143,620	1,733,476	1,641,754
Health and human services	4,769,332	2,146,595	6,915,927	—
Natural resources and environmental protection	5,623,026	2,616,659	8,239,685	—
Business, consumer services, and housing	4,886,434	22,414	4,908,848	—
Transportation	9,017,193	4,964	9,022,157	—
Corrections and rehabilitation	130,677	—	130,677	—
Unemployment programs	—	2,516,278	2,516,278	—
Indenture	—	—	—	578,610
Statute	—	—	—	2,687,372
Budget stabilization	16,116,422	—	16,116,422	—
Other purposes	—	—	—	17,880
Total expendable	46,670,678	7,722,116	54,392,794	18,374,623
Unrestricted	(207,968,523)	(20,948,611)	(228,917,134)	(23,479,496)
Total net position (deficit)	(44,524,586)	(10,317,752)	(54,842,338)	18,032,858
Total liabilities, deferred inflows of resources, and net position	\$ 329,937,229	\$ 44,662,421	\$ 374,599,650	\$ 116,405,562

(concluded)

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Statement of Activities

Year Ended June 30, 2020

(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 23,489,012	\$ 5,847,276	\$ 4,745,848	\$ —
Education	75,803,990	49,780	7,975,206	—
Health and human services	192,576,208	13,836,881	127,132,625	—
Natural resources and environmental protection	10,110,777	5,551,029	496,137	—
Business, consumer services, and housing	2,603,823	1,378,181	150,726	—
Transportation	18,424,746	7,244,317	3,087,746	2,107,963
Corrections and rehabilitation	16,861,994	14,753	82,354	—
Interest on long-term debt	3,841,351	—	—	—
Total governmental activities	<u>343,711,901</u>	<u>33,922,217</u>	<u>143,670,642</u>	<u>2,107,963</u>
Business-type activities:				
Electric Power	905,115	903,000	—	—
Water Resources	1,184,458	1,155,001	—	—
State Lottery	6,665,062	6,735,321	—	—
Unemployment Programs	23,622,023	12,564,665	—	—
California State University	10,592,814	3,323,307	2,372,546	—
State Water Pollution Control Revolving	45,288	87,110	132,847	—
Safe Drinking Water State Revolving	25,007	29,717	87,990	—
Housing Loan	53,656	61,990	—	—
Other enterprise programs	148,450	105,874	—	—
Total business-type activities	<u>43,241,873</u>	<u>24,965,985</u>	<u>2,593,383</u>	<u>—</u>
Total primary government	<u>\$ 386,953,774</u>	<u>\$ 58,888,202</u>	<u>\$ 146,264,025</u>	<u>\$ 2,107,963</u>
Component Units				
University of California	44,365,076	26,194,785	11,560,074	67,742
California Housing Finance Agency	131,190	270,559	49,550	—
Nonmajor component units	2,004,861	1,014,713	767,395	12,859
Total component units	<u>\$ 46,501,127</u>	<u>\$ 27,480,057</u>	<u>\$ 12,377,019</u>	<u>\$ 80,601</u>
General revenues:				
Personal income taxes				
Sales and use taxes				
Corporation taxes				
Motor vehicle excise tax				
Insurance taxes				
Managed care organization enrollment tax				
Other taxes				
Investment and interest income				
Escheat				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) – beginning, restated				
Net position (deficit) – ending				

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (12,895,888)		\$ (12,895,888)	
(67,779,004)		(67,779,004)	
(51,606,702)		(51,606,702)	
(4,063,611)		(4,063,611)	
(1,074,916)		(1,074,916)	
(5,984,720)		(5,984,720)	
(16,764,887)		(16,764,887)	
(3,841,351)		(3,841,351)	
<u>(164,011,079)</u>		<u>(164,011,079)</u>	
	\$ (2,115)	(2,115)	
	(29,457)	(29,457)	
	70,259	70,259	
	(11,057,358)	(11,057,358)	
	(4,896,961)	(4,896,961)	
	174,669	174,669	
	92,700	92,700	
	8,334	8,334	
	(42,576)	(42,576)	
	<u>(15,682,505)</u>	<u>(15,682,505)</u>	
\$ (164,011,079)	\$ (15,682,505)	\$ (179,693,584)	
			\$ (6,542,475)
			188,919
			<u>(209,894)</u>
			\$ (6,563,450)
\$ 108,308,455	\$ —	\$ 108,308,455	\$ —
40,703,239	—	40,703,239	—
13,180,402	—	13,180,402	—
7,876,545	—	7,876,545	—
3,161,634	—	3,161,634	—
1,031,357	—	1,031,357	—
3,789,610	—	3,789,610	—
690,169	—	690,169	1,425,084
614,394	—	614,394	—
—	—	—	3,221,885
(5,963,068)	5,963,068	—	—
<u>173,392,737</u>	<u>5,963,068</u>	<u>179,355,805</u>	<u>4,646,969</u>
9,381,658	(9,719,437)	(337,779)	(1,916,481)
<u>(53,906,244)</u>	<u>(598,315)</u>	<u>(54,504,559)</u>	<u>19,949,339</u>
\$ (44,524,586)	\$ (10,317,752)	\$ (54,842,338)	\$ 18,032,858

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2020

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
ASSETS		
Cash and pooled investments	\$ 3,144,406	\$ 9,904,033
Investments	—	—
Receivables (net)	44,630,713	690,077
Due from other funds	4,653,184	1,583,436
Due from other governments	2,365,596	42,862,341
Interfund receivables	2,122,323	—
Loans receivable	83,982	235,780
Other assets	7,426	60,900
Total assets	\$ 57,007,630	\$ 55,336,567
LIABILITIES		
Accounts payable	\$ 1,825,486	\$ 1,507,363
Due to other funds	10,156,799	25,069,673
Due to component units	221,669	—
Due to other governments	4,489,437	7,740,182
Interfund payables	2,465,536	—
Benefits payable	—	12,337,094
Revenues received in advance	24,393	8,148,971
Tax overpayments	5,440,959	—
Deposits	3,108	—
Unclaimed property liability	897,771	—
Other liabilities	628,932	2,019,728
Total liabilities	26,154,090	56,823,011
DEFERRED INFLOWS OF RESOURCES	2,351,940	689,881
Total liabilities and deferred inflows of resources	28,506,030	57,512,892
FUND BALANCES		
Nonspendable	2,129,227	—
Restricted	16,709,782	298,635
Committed	2,965,662	—
Assigned	3,080,372	—
Unassigned	3,616,557	(2,474,960)
Total fund balances (deficit)	28,501,600	(2,176,325)
Total liabilities, deferred inflows of resources, and fund balances	\$ 57,007,630	\$ 55,336,567

<u>Transportation</u>	<u>Environmental and Natural Resources</u>	<u>Health Care Related Programs</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ 8,995,097	\$ 11,892,552	\$ 2,172,498	\$ 12,703,874	\$ 48,812,460
—	—	—	452,442	452,442
1,253,793	556,809	5,094,530	2,031,405	54,257,327
1,301,468	531,598	52,143	2,365,836	10,487,665
7,214	11,886	1,293,232	96,009	46,636,278
101,934	1,317,515	238,981	521,819	4,302,572
482,742	1,119,353	154,364	3,445,928	5,522,149
16,012	—	—	17,048	101,386
\$ 12,158,260	\$ 15,429,713	\$ 9,005,748	\$ 21,634,361	\$ 170,572,279
\$ 895,407	\$ 653,604	\$ 88,047	\$ 868,326	\$ 5,838,233
478,487	36,830	7,217,969	838,471	43,798,229
7,457	3,969	—	27,932	261,027
749,195	290,136	770	3,933,385	17,203,105
20,713	179,681	—	25,652	2,691,582
—	—	—	—	12,337,094
15,493	218,726	1,000	196,088	8,604,671
—	—	—	—	5,440,959
2,811	348	—	450,449	456,716
—	—	—	—	897,771
500,924	7,951	—	146,516	3,304,051
2,670,487	1,391,245	7,307,786	6,486,819	100,833,438
210,342	43,577	—	489,850	3,785,590
2,880,829	1,434,822	7,307,786	6,976,669	104,619,028
—	—	—	13,702	2,142,929
9,231,279	5,459,164	1,645,804	13,162,018	46,506,682
46,152	8,535,727	52,158	1,432,104	13,031,803
—	—	—	49,868	3,130,240
—	—	—	—	1,141,597
9,277,431	13,994,891	1,697,962	14,657,692	65,953,251
\$ 12,158,260	\$ 15,429,713	\$ 9,005,748	\$ 21,634,361	\$ 170,572,279

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

(amounts in thousands)

Total fund balances – governmental funds **\$ 65,953,251**

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	21,144,786
State highway infrastructure	79,552,496
Collections – nondepreciable	22,682
Buildings and other depreciable property	32,804,956
Intangible assets – amortizable	2,645,889
Less: accumulated depreciation/amortization	(16,572,308)
Construction/development in progress	16,314,134
Intangible assets – nonamortizable	<u>846,344</u>

136,758,979

- State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds. 3,785,590
- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds. (10,100,911)
- Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position. (7,251,155)
- Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds. 12,842,842
- 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. 300,689
- General obligation bonds and related accrued interest totaling \$72,932,576, revenue bonds totaling \$6,700,822, and commercial paper totaling \$1,108,720 are not due and payable in the current period and are not reported in the funds. (80,742,118)
- The following liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(3,831,873)
Capital leases	(393,089)
Net pension liability	(81,516,714)
Net other postemployment benefits liability	(72,168,396)
Mandated cost claims	(1,782,370)
Workers' compensation	(4,143,813)
Proposition 98 funding guarantee	(708)
Pollution remediation obligations	(1,293,100)
Other noncurrent liabilities	<u>(941,690)</u>

(166,071,753)

Net position of governmental activities

\$ (44,524,586)

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	\$ 110,352,220	\$ —
Sales and use taxes	25,461,893	—
Corporation taxes	13,722,735	—
Motor vehicle excise taxes	142,729	—
Insurance taxes	3,158,183	—
Managed care organization enrollment tax	—	—
Other taxes	636,243	—
Intergovernmental	—	145,778,000
Licenses and permits	7,799	—
Charges for services	376,317	—
Fees	19,477	—
Penalties	372,130	326
Investment and interest	575,818	23,101
Escheat	614,394	—
Other	483,938	—
Total revenues	155,923,876	145,801,427
EXPENDITURES		
Current:		
General government	10,607,916	4,209,777
Education	67,094,461	8,085,802
Health and human services	39,469,965	127,850,003
Natural resources and environmental protection	2,536,666	475,087
Business, consumer services, and housing	741,404	187,407
Transportation	30,874	5,185,164
Corrections and rehabilitation	12,776,235	237,605
Capital outlay	24,082	—
Debt service:		
Bond and commercial paper retirement	2,548,681	10,835
Interest and fiscal charges	2,686,389	555
Total expenditures	138,516,673	146,242,235
Excess (deficiency) of revenues over (under) expenditures	17,407,203	(440,808)
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Revenue bonds issued	—	—
Refunding debt issued	—	—
Premium on bonds issued	150,685	—
Capital leases	24,082	—
Transfers in	634,307	—
Transfers out	(7,875,660)	(1,958,705)
Total other financing sources (uses)	(7,066,586)	(1,958,705)
Net change in fund balances	10,340,617	(2,399,513)
Fund balances – beginning	18,160,983 *	223,188
Fund balances (deficit) – ending	\$ 28,501,600	\$ (2,176,325)

* Restated

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 1,478,947	\$ 111,831,167
930,340	—	—	14,317,229	40,709,462
—	—	—	—	13,722,735
7,525,199	90,451	—	118,166	7,876,545
—	—	3,451	—	3,161,634
—	—	1,031,357	—	1,031,357
—	179,280	—	3,046,522	3,862,045
—	—	2,348,817	824,833	148,951,650
5,134,179	477,543	—	3,636,933	9,256,454
142,862	118,008	4	335,614	972,805
1,787,359	2,720,959	5,080,548	3,692,977	13,301,320
10,417	51,610	5,941	581,239	1,021,663
220,209	245,347	44,086	220,395	1,328,956
—	—	—	1,326	615,720
109,098	2,373,857	278,828	1,349,665	4,595,386
15,859,663	6,257,055	8,793,032	29,603,846	362,238,899
436,423	245,601	3,035	11,890,355	27,393,107
10,918	3,500	139,765	1,013,273	76,347,719
2,596	80,541	8,387,110	16,029,783	191,819,998
198,009	5,795,047	212	239,792	9,244,813
125,835	46,613	—	1,355,989	2,457,248
13,980,554	815,483	—	13,773	20,025,848
—	—	—	1,666,865	14,680,705
—	250,591	—	126,393	401,066
1,590,421	2,489,297	45,750	3,591,597	10,276,581
31,230	33,199	406	1,104,611	3,856,390
16,375,986	9,759,872	8,576,278	37,032,431	356,503,475
(516,323)	(3,502,817)	216,754	(7,428,585)	5,735,424
527,480	1,780,325	160,050	2,617,735	5,085,590
—	—	—	500,000	500,000
1,377,515	1,584,585	8,125	1,414,670	4,384,895
207,236	425,378	1,911	432,405	1,217,615
—	—	—	—	24,082
6,788	145,150	175,361	4,814,488	5,776,094
(1,624,759)	(61,393)	(21)	(210,948)	(11,731,486)
494,260	3,874,045	345,426	9,568,350	5,256,790
(22,063)	371,228	562,180	2,139,765	10,992,214
9,299,494	13,623,663	1,135,782	12,517,927 *	54,961,037
\$ 9,277,431	\$ 13,994,891	\$ 1,697,962	\$ 14,657,692	\$ 65,953,251

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

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

(amounts in thousands)

Net change in fund balances – total governmental funds **\$ 10,992,214**

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	4,354,076	
Disposal of assets	(390,084)	
Depreciation expense, net of asset disposal	<u>(1,050,122)</u>	
		2,913,870

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (3,223,657)
- 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. 90,994

- 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	(7,763,245)	(500,000)	(1,707,240)	(9,970,485)	
Premium on debt issued	(1,217,614)	—	—	(1,217,614)	
Accreted interest	—	(49,341)	—	(49,341)	
Principal repayments	8,446,635	198,666	1,631,280	10,276,581	
Related expenses not reported in governmental funds:					
Premium/discount amortization	373,010	32,111	—	405,121	
Deferred gain/loss on refunding	(2,760)	(17,493)	—	(20,253)	
Prepaid insurance	—	(82)	—	(82)	
Accrued interest	36,485	(217)	—	36,268	
	<u>(127,489)</u>	<u>(336,356)</u>	<u>(75,960)</u>		(539,805)
					(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	(299,956)	
Capital leases	41,787	
Net pension liability	342,085	
Net other postemployment benefits liability	(676,322)	
Mandated cost claims	33,080	
Workers' compensation	(231,662)	
Proposition 98 funding guarantee	(708)	
Pollution remediation obligations	(89,534)	
Other noncurrent liabilities	29,272	
		(851,958)

Change in net position of governmental activities

\$ 9,381,658
(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 780,498
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	609,704	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	2,960	86,099
Due from other funds	4,040	—
Due from other governments	—	63,857
Prepaid items	—	—
Inventories	—	4,893
Recoverable power costs (net)	102,000	—
Other current assets	—	—
Total current assets	<u>718,704</u>	<u>935,347</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	480,000	160,038
Investments	302,000	50,821
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	158,355
Loans receivable	—	9,337
Recoverable power costs (net)	16,000	—
Long-term prepaid charges	—	1,512,490
Capital assets:		
Land	—	209,165
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	5,899,296
Intangible assets – amortizable	—	39,660
Less: accumulated depreciation/amortization	—	(2,379,296)
Construction/development in progress	—	1,931,664
Intangible assets – nonamortizable	—	112,928
Other noncurrent assets	—	—
Total noncurrent assets	<u>798,000</u>	<u>7,704,458</u>
Total assets	<u>1,516,704</u>	<u>8,639,805</u>
DEFERRED OUTFLOWS OF RESOURCES	43,000	309,206
Total assets and deferred outflows of resources	<u>\$ 1,559,704</u>	<u>\$ 8,949,011</u>

Business-type Activities – Enterprise Funds					Governmental
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 408,923	\$ 3,091,384	\$ 1,436,122	\$ 1,248,454	\$ 6,965,381	\$ 1,515,351
—	374,933	—	—	374,933	—
60,508	—	2,511,398	—	2,571,906	—
—	—	—	359,406	969,110	930,291
—	—	—	182,839	182,839	—
—	—	12,723	—	12,723	517,067
504,271	1,201,331	211,892	44,893	2,051,446	112,602
—	11,873	9,964	22,258	48,135	881,200
—	106,114	—	211,637	381,608	25,658
—	—	68,090	20	68,110	180,340
12,883	—	—	5,000	22,776	74,186
—	—	—	—	102,000	—
3,609	—	—	—	3,609	—
990,194	4,785,635	4,250,189	2,074,507	13,754,576	4,236,695
—	—	201	—	640,239	143,195
—	—	—	—	352,821	—
—	—	—	1,986,034	1,986,034	—
846,779	—	1,997,755	20,024	2,864,558	—
—	—	217,728	—	217,728	7,729,792
—	1,116,514	375,421	—	1,491,935	—
—	382,291	—	9,192	549,838	42,940
—	219,324	50,783	5,425,206	5,704,650	20,107
—	—	—	—	16,000	—
424	—	—	—	1,512,914	380
18,798	—	101,175	1,272	330,410	2,080
—	—	30,956	—	30,956	—
327,070	21,320	11,063,577	26,021	17,337,284	688,756
—	244,118	156,908	1,761	442,447	35,276
(131,349)	(63,479)	(4,471,385)	(21,239)	(7,066,748)	(504,139)
—	—	1,276,826	106	3,208,596	1,827,425
—	—	11,407	—	124,335	—
—	—	25,463	6,741	32,204	—
1,061,722	1,920,088	10,836,815	7,455,118	29,776,201	9,985,812
2,051,916	6,705,723	15,087,004	9,529,625	43,530,777	14,222,507
76,875	114,464	2,984,024	15,223	3,542,792	604,034
\$ 2,128,791	\$ 6,820,187	\$ 18,071,028	\$ 9,544,848	\$ 47,073,569	\$ 14,826,541

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,254	\$ 210,245
Due to other funds	456	100,486
Due to other governments	—	282,893
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	9,725	11,223
Benefits payable	—	—
Current portion of long-term obligations	763,000	202,854
Other current liabilities	—	—
Total current liabilities	775,435	807,701
Noncurrent liabilities:		
Interfund payables	9,384	46,963
Loans payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	28,271
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	920,107
Capital lease obligations	—	—
General obligation bonds payable	—	2,090
Revenue bonds payable	765,000	2,877,693
Net other postemployment benefits liability	5,000	805,535
Net pension liability	3,000	558,713
Revenues received in advance	—	—
Other noncurrent liabilities	—	164,890
Total noncurrent liabilities	782,384	5,404,262
Total liabilities	1,557,819	6,211,963
DEFERRED INFLOWS OF RESOURCES	4,000	1,600,156
Total liabilities and deferred inflows of resources	1,561,819	7,812,119
NET POSITION		
Net investment in capital assets	—	890,438
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	246,454
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	—	246,454
Unrestricted	(2,115)	—
Total net position (deficit)	(2,115)	1,136,892
Total liabilities, deferred inflows of resources, and net position	\$ 1,559,704	\$ 8,949,011

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 39,698	\$ 296,143	\$ 289,594	\$ 11,647	\$ 849,581	\$ 398,476	
349,903	1,729,345	20,071	12,800	2,213,061	319,626	
—	130,745	—	181	413,819	14,307	
2,302	—	285,738	33	288,073	1,025,954	
—	—	—	—	—	2,339	
—	—	—	—	—	21,550	
—	—	—	30,308	51,256	93,327	
—	2,153,914	—	—	2,153,914	—	
662,520	—	319,150	162,114	2,109,638	585,329	
277	132,804	545,661	—	678,742	15,234	
<u>1,054,700</u>	<u>4,442,951</u>	<u>1,460,214</u>	<u>217,083</u>	<u>8,758,084</u>	<u>2,476,142</u>	
10,598	—	109,249	22,722	198,916	2,150,801	
—	2,271,930	—	—	2,271,930	—	
709,190	—	—	—	709,190	—	
—	29,924	157,195	6,611	222,001	153,420	
7,202	—	—	2,802	10,004	47,762	
—	—	129,047	—	1,049,154	—	
—	—	336,175	—	336,175	—	
—	—	—	751,127	753,217	—	
—	—	7,733,521	1,676,271	13,052,485	8,311,261	
239,754	637,821	14,498,545	36,909	16,223,564	2,095,000	
138,619	344,083	8,190,770	38,774	9,273,959	1,298,950	
—	—	6,980	—	6,980	—	
—	—	65,892	11,500	242,282	24,354	
<u>1,105,363</u>	<u>3,283,758</u>	<u>31,227,374</u>	<u>2,546,716</u>	<u>44,349,857</u>	<u>14,081,548</u>	
2,160,063	7,726,709	32,687,588	2,763,799	53,107,941	16,557,690	
50,185	109,363	2,452,308	25,941	4,241,953	365,076	
<u>2,210,248</u>	<u>7,836,072</u>	<u>35,139,896</u>	<u>2,789,740</u>	<u>57,349,894</u>	<u>16,922,766</u>	
214,520	201,958	1,596,907	3,243	2,907,066	539,362	
—	—	1,677	—	1,677	—	
—	—	48,952	—	48,952	163,996	
—	—	28,315	341,425	616,194	—	
—	—	—	2,028,780	2,028,780	—	
163,905	—	—	—	163,905	—	
—	2,516,278	—	—	2,516,278	—	
—	—	66,353	2,281,654	2,348,007	—	
163,905	2,516,278	143,620	4,651,859	7,722,116	163,996	
(459,882)	(3,734,121)	(18,811,072)	2,100,006	(20,907,184)	(2,799,583)	
<u>(81,457)</u>	<u>(1,015,885)</u>	<u>(17,068,868)</u>	<u>6,755,108</u>	<u>(10,276,325)</u>	<u>(2,096,225)</u>	
<u>\$ 2,128,791</u>	<u>\$ 6,820,187</u>	<u>\$ 18,071,028</u>	<u>\$ 9,544,848</u>	<u>\$ 47,073,569</u>	<u>\$ 14,826,541</u>	

(concluded)

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

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	\$ —	\$ —
Lottery ticket sales	—	—
Power sales	(11,000)	49,435
Student tuition and fees	—	—
Services and sales	—	1,085,755
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	(11,000)	1,135,190
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(16,000)	243,120
Personal services	5,000	425,649
Supplies	—	—
Services and charges	2,115	51,808
Depreciation	—	105,345
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	—
Total operating expenses	(8,885)	825,922
Operating income (loss)	(2,115)	309,268
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income	914,000	19,811
Interest expense and fiscal charges	(914,000)	(110,158)
Lottery payments for education	—	—
Other	—	(248,378)
Total nonoperating revenues (expenses)	—	(338,725)
Income (loss) before capital contributions and transfers	(2,115)	(29,457)
Transfers in	—	—
Transfers out	—	—
Change in net position	(2,115)	(29,457)
Total net position (deficit) – beginning	—	1,166,349
Total net position (deficit) – ending	\$ (2,115)	\$ 1,136,892

* Restated

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ —	\$ 12,491,370	\$ —	\$ —	\$ 12,491,370	\$ —
6,622,003	—	—	—	6,622,003	—
—	—	—	—	38,435	—
—	—	2,175,169	—	2,175,169	—
—	—	495,562	108,110	1,689,427	4,249,571
—	2	—	149,954	149,956	24,155
—	—	—	—	—	397,252
—	—	70,304	—	70,304	—
—	—	247,888	4,020	251,908	—
6,622,003	12,491,372	2,988,923	262,084	23,488,572	4,670,978
4,403,715	—	—	—	4,403,715	—
—	—	—	—	227,120	—
111,146	243,698	7,117,432	49,545	7,952,470	913,444
17,123	—	1,595,484	49,189	1,661,796	31,817
646,435	91,513	—	45,914	837,785	3,113,662
18,429	10,663	408,784	1,704	544,925	53,197
—	—	1,195,923	—	1,195,923	—
—	23,275,708	—	—	23,275,708	—
—	—	—	38,193	38,193	353,821
—	—	—	—	—	84
—	—	—	9,491	9,491	—
5,196,848	23,621,582	10,317,623	194,036	40,147,126	4,466,025
1,425,155	(11,130,210)	(7,328,700)	68,048	(16,658,554)	204,953
—	—	2,372,546	220,837	2,593,383	—
—	—	55,714	—	55,714	—
113,121	73,293	173,420	22,205	1,315,850	5,186
(31,030)	(441)	(275,191)	(36,938)	(1,367,758)	(1,580)
(1,437,184)	—	—	—	(1,437,184)	—
197	—	105,250	402	(142,529)	(109,889)
(1,354,896)	72,852	2,431,739	206,506	1,017,476	(106,283)
70,259	(11,057,358)	(4,896,961)	274,554	(15,641,078)	98,670
—	1,402,023	4,560,920	125	5,963,068	43,214
—	—	—	—	—	(50,890)
70,259	(9,655,335)	(336,041)	274,679	(9,678,010)	90,994
(151,716)	8,639,450 *	(16,732,827)	6,480,429	(598,315)	(2,187,219)
\$ (81,457)	\$ (1,015,885)	\$ (17,068,868)	\$ 6,755,108	\$ (10,276,325)	\$ (2,096,225)

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ (13,000)	\$ 1,349,148
Receipts from interfund services provided	—	—
Payments to suppliers	3,000	(378,525)
Payments to employees	(3,296)	(425,649)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	—	(26,836)
Net cash provided by (used in) operating activities	(13,296)	518,138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and capital leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	9,000	—
Receipt of bond charges	858,000	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(970,000)	—
Interest received	—	—
Interest paid	(109,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Net cash provided by (used in) noncapital financing activities	(212,000)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(397,801)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	390,527
Principal paid on notes payable and commercial paper	—	(160,404)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(17,405)
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	—	(147,035)
Interest paid	—	(140,583)
Grants received	—	—
Net cash provided by (used in) capital and related financing activities	—	(472,701)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(152,059)
Proceeds from maturity and sale of investments	—	152,265
Change in loans receivable	—	769
Earnings on investments	45,000	21,500
Net cash provided by (used in) investing activities	45,000	22,475
Net increase (decrease) in cash and pooled investments	(180,296)	67,912
Cash and pooled investments – beginning	1,270,000	872,624
Cash and pooled investments – ending	\$ 1,089,704	\$ 940,536

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 6,708,301	\$ 12,032,155	\$ 2,581,004	\$ 417,819	\$ 23,075,427	\$ 11,889	
—	138,446	—	1,703	140,149	4,252,047	
(236,011)	(1,488)	(1,606,558)	(119,935)	(2,339,517)	(1,424,726)	
(90,445)	(230,115)	(5,718,747)	(30,020)	(6,498,272)	(1,040,423)	
(10,182)	(21,565)	—	(3,581)	(35,328)	(394,963)	
(4,837,269)	—	—	—	(4,837,269)	—	
(460,702)	(21,475,310)	—	—	(21,936,012)	(588,483)	
93,847	1,688,872	(868,653)	(373,905)	513,325	(426,241)	
1,167,539	(7,869,005)	(5,612,954)	(107,919)	(11,917,497)	389,100	
—	—	(6,158)	—	(6,158)	—	
—	(363)	—	(1,569)	(1,932)	(62,979)	
—	2,271,912	(116,396)	2,572	2,167,088	1,025,665	
—	—	—	—	858,000	—	
—	—	—	(44,930)	(44,930)	—	
—	—	59,245	—	59,245	—	
—	—	(81,702)	(98,215)	(1,149,917)	—	
—	—	21,179	—	21,179	—	
—	—	(27,906)	(63,097)	(200,003)	(1,133)	
—	1,402,023	4,172,710	125	5,574,858	43,387	
—	—	—	—	—	(51,063)	
—	—	2,440,597	225,610	2,666,207	—	
(1,604,813)	—	—	—	(1,604,813)	—	
(1,604,813)	3,673,572	6,461,569	20,496	8,338,824	953,877	
(24,032)	—	(1,040,608)	(59)	(1,462,500)	(1,132,653)	
36	—	35,928	—	35,964	3,007	
—	—	—	—	390,527	—	
—	—	—	—	(160,404)	—	
—	—	11,747	—	11,747	—	
—	—	(671,412)	—	(671,412)	—	
—	—	—	—	(17,405)	—	
—	—	1,713,632	—	1,713,632	599,379	
—	—	(220,708)	—	(367,743)	(635,985)	
—	(441)	—	—	(141,024)	(285)	
—	—	54,092	—	54,092	—	
(23,996)	(441)	(117,329)	(59)	(614,526)	(1,166,537)	
(47,992)	—	(17,346,214)	(2,344)	(17,548,609)	—	
64,290	3,342,309	17,076,364	1,902	20,637,130	—	
—	234,001	—	—	234,770	—	
24,423	73,293	126,571	24,927	315,714	5,283	
40,721	3,649,603	(143,279)	24,485	3,639,005	5,283	
(420,549)	(546,271)	588,007	(62,997)	(554,194)	181,723	
829,472	3,637,655	848,316	1,670,857	9,128,924	2,407,114	
\$ 408,923	\$ 3,091,384	\$ 1,436,323	\$ 1,607,860	\$ 8,574,730	\$ 2,588,837	

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss).....	\$ (2,115)	\$ 309,268
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation.....	—	105,345
Provisions and allowances.....	—	—
Amortization of premiums and discounts.....	—	—
Amortization of long-term prepaid charges and credits.....	—	(157,884)
Other.....	—	(26,836)
Change in account balances:		
Receivables.....	—	86,172
Due from other funds.....	—	—
Due from other governments.....	—	129,777
Prepaid items.....	—	—
Inventories.....	—	—
Net investment in direct financing leases.....	—	—
Recoverable power costs (net).....	(11,000)	—
Other current assets.....	—	—
Loans receivable.....	—	—
Deferred outflow of resources.....	1,000	—
Accounts payable.....	819	29,938
Due to other funds.....	—	37,361
Due to other governments.....	—	(6,442)
Deposits.....	—	—
Contracts and notes payable.....	—	—
Interest payable.....	(1,000)	—
Revenues received in advance.....	—	—
Other current liabilities.....	—	—
Benefits payable.....	—	—
Lottery prizes and annuities.....	—	—
Compensated absences payable.....	—	—
Other noncurrent liabilities.....	—	11,439
Deferred inflow of resources.....	(1,000)	—
Total adjustments.....	(11,181)	208,870
Net cash provided by (used in) operating activities.....	\$ (13,296)	\$ 518,138
Noncash investing, capital, and financing activities:		
State's contribution for pension benefits and OPEB.....	\$ —	\$ —
Amortization/defeasance of bond premium and discount.....	40,000	30,074
Amortization of deferred loss on refundings.....	25,000	9,964
Unclaimed lottery prizes directly allocated to another entity.....	—	—
Interest accreted on annuitized prizes.....	—	—
Unrealized gain on investments.....	—	—
Interest accreted on zero coupon bonds.....	—	—
Contributed capital assets.....	—	—
Change in accrued capital asset purchases.....	—	—
Other assets paid through long-term debt.....	—	—
Other miscellaneous noncash transactions.....	5,000	—

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 1,425,155	\$ (11,130,210)	\$ (7,328,700)	\$ 68,048	\$ (16,658,554)	\$ 204,953
18,429	10,663	408,784	1,704	544,925	53,197
(45,285)	—	—	192	(45,093)	—
—	—	—	(649)	(649)	(88,945)
—	—	—	—	(157,884)	84
215	—	(28,901)	(14,383)	(69,905)	13,944
110,085	(415,685)	4,053	36	(215,339)	(13,724)
1,190	1,962	3,598	539	7,289	(201,514)
—	(65,637)	—	5,035	69,175	(11,651)
(1)	—	11,191	9	11,199	35,893
(5,753)	—	—	(1,760)	(7,513)	(4,217)
—	—	—	—	—	491,492
—	—	—	—	(11,000)	—
88	—	—	(5,016)	(4,928)	—
—	—	—	(146,241)	(146,241)	—
—	(25,148)	(164,235)	(4,460)	(192,843)	(103,955)
(16,599)	263,569	22,917	4,795	305,439	492
(2,207)	1,698,261	—	(10,344)	1,723,071	(95,007)
—	94,108	—	(426)	87,240	2,261
—	—	128	—	128	1,057
—	—	—	—	—	(1,891)
—	—	—	(651)	(1,651)	(3,211)
(81)	(48,636)	(79,156)	(17)	(127,890)	17,764
5,076	87,859	(14,069)	566	79,432	(1,941)
—	1,626,836	5,649	5,657	1,638,142	(8)
(339,833)	—	—	—	(339,833)	—
—	(29,095)	30,084	(2,972)	(1,983)	5,536
17,060	76,615	1,955,360	(9,798)	2,050,676	155,984
—	(14,467)	(439,657)	2,217	(452,907)	(67,493)
(257,616)	3,261,205	1,715,746	(175,967)	4,741,057	184,147
\$ 1,167,539	\$ (7,869,005)	\$ (5,612,954)	\$ (107,919)	\$ (11,917,497)	\$ 389,100
					(concluded)
\$ —	\$ —	\$ 388,210	\$ —	\$ 388,210	\$ —
—	—	35,562	—	105,636	—
—	—	—	—	34,964	—
75,397	—	—	—	75,397	—
31,030	—	—	—	31,030	—
72,257	—	—	—	72,257	—
19,304	—	—	—	19,304	—
—	—	18,726	—	18,726	—
—	—	12,365	—	12,365	—
—	—	54,678	—	54,678	—
—	—	73,804	1,058	79,862	117,460

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

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2020

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	\$ 16,547	\$ 3,079,169	\$ 32,184,617	\$ 3,827,829
Investments, at fair value:				
Short-term	—	40,646,703	—	—
Equity securities	4,672,286	328,953,864	—	—
Debt securities	2,969,038	150,463,743	—	—
Real estate	246,390	77,835,567	—	—
Securities lending collateral	—	25,251,675	—	—
Other	2,131,872	77,870,865	—	—
Total investments	<u>10,019,586</u>	<u>701,022,417</u>	<u>—</u>	<u>—</u>
Receivables (net)	136,966	7,504,870	—	5,006,837
Due from other funds	37	938,540	—	33,975,339
Due from other governments	—	—	—	79,317
Interfund receivable	—	—	—	145,949
Loans receivable	—	2,498,945	—	82,580
Other assets	196,502	728,843	—	39,822
Total assets	<u>10,369,638</u>	<u>715,772,784</u>	<u>32,184,617</u>	<u>\$ 43,157,673</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total assets and deferred outflows of resources	<u>10,369,638</u>	<u>715,982,196</u>	<u>32,184,617</u>	
LIABILITIES				
Accounts payable	65,483	4,515,287	—	\$ 27,925,539
Due to other governments	—	1	111,444	12,978,342
Tax overpayments	—	—	—	4,298
Benefits payable	—	3,869,096	—	—
Revenues received in advance	—	—	—	679
Deposits	196,502	—	—	1,423,597
Securities lending obligations	—	25,283,653	—	—
Loans payable	—	2,497,455	—	—
Other liabilities	1,360	7,523,315	—	825,218
Total liabilities	<u>263,345</u>	<u>43,688,807</u>	<u>111,444</u>	<u>\$ 43,157,673</u>
DEFERRED INFLOWS OF RESOURCES				
Total liabilities and deferred inflows of resources	<u>263,345</u>	<u>43,910,554</u>	<u>111,444</u>	
NET POSITION				
Restricted for pension and other postemployment benefits	—	653,302,374	—	
Held in trust for:				
Deferred compensation participants	—	18,757,743	—	
Pool participants	—	—	32,073,173	
Individuals, organizations, or other governments	10,106,293	11,525	—	
Total net position	<u>\$ 10,106,293</u>	<u>\$ 672,071,642</u>	<u>\$ 32,073,173</u>	

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2020

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment
ADDITIONS			
Contributions:			
Employer	\$ —	\$ 34,031,370	\$ —
Plan member	—	9,704,272	—
Non-employer	—	4,446,836	—
Total contributions	—	48,182,478	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	269	18,204,793	—
Interest, dividends, and other investment income	394,985	13,241,617	547,704
Less: investment expense	(3,412)	(1,711,478)	—
Net investment income	391,842	29,734,932	547,704
Receipts from depositors	4,367,212	—	32,307,398
Other	—	154,098	—
Total additions	4,759,054	78,071,508	32,855,102
DEDUCTIONS			
Distributions paid and payable to participants	—	45,240,505	546,102
Refunds of contributions	—	432,471	—
Administrative expense	5,338	791,986	1,601
Interest expense	121	94,689	—
Payments to and for depositors	4,098,282	533,028	24,819,078
Total deductions	4,103,741	47,092,679	25,366,781
Change in net position	655,313	30,978,829	7,488,321
Net position – beginning	9,450,980 *	641,092,813	24,584,852
Net position – ending	\$ 10,106,293	\$ 672,071,642	\$ 32,073,173

* Restated

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2020

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 713,597	\$ 1,110,300	\$ 1,361,211	\$ 3,185,108
Investments	10,029,536	—	672,043	10,701,579
Restricted assets:				
Cash and pooled investments	—	—	336,306	336,306
Investments	—	—	25,946	25,946
Receivables (net)	5,621,013	225,358	523,346	6,369,717
Due from primary government	261,027	—	—	261,027
Due from other governments	174,578	—	—	174,578
Prepaid items	—	458	3,285	3,743
Inventories	340,359	—	—	340,359
Other current assets	434,827	211	35,961	470,999
Total current assets	<u>17,574,937</u>	<u>1,336,327</u>	<u>2,958,098</u>	<u>21,869,362</u>
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	56,075	56,075
Investments	—	—	96,303	96,303
Investments	32,533,142	258,183	2,305,804	35,097,129
Receivables (net)	2,770,830	—	340,987	3,111,817
Loans receivable	—	2,674,890	408,625	3,083,515
Long-term prepaid charges	—	—	126	126
Capital assets:				
Land	1,370,982	—	162,838	1,533,820
Collections – nondepreciable	603,658	—	13,343	617,001
Buildings and other depreciable property	57,990,893	1,393	2,279,077	60,271,363
Intangible assets – amortizable	1,841,988	—	8,873	1,850,861
Less: accumulated depreciation/amortization	(29,199,768)	(794)	(1,254,187)	(30,454,749)
Construction/development in progress	3,935,419	—	123,517	4,058,936
Intangible assets – nonamortizable	—	—	6,753	6,753
Other noncurrent assets	407,256	1,033	52,996	461,285
Total noncurrent assets	<u>72,254,400</u>	<u>2,934,705</u>	<u>4,601,130</u>	<u>79,790,235</u>
Total assets	<u>89,829,337</u>	<u>4,271,032</u>	<u>7,559,228</u>	<u>101,659,597</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,622,134</u>	<u>17,090</u>	<u>106,741</u>	<u>14,745,965</u>
Total assets and deferred outflows of resources	<u>\$ 104,451,471</u>	<u>\$ 4,288,122</u>	<u>\$ 7,665,969</u>	<u>\$ 116,405,562</u>

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,925,007	\$ 54,575	\$ 874,931	\$ 3,854,513
Revenues received in advance	1,700,815	—	108,650	1,809,465
Deposits	955,911	225,528	1,818	1,183,257
Contracts and notes payable	—	—	11,541	11,541
Interest payable	—	16,089	3,848	19,937
Securities lending obligations	429,311	—	—	429,311
Current portion of long-term obligations	5,179,340	40,513	212,378	5,432,231
Other current liabilities	3,346,158	5,130	176,581	3,527,869
Total current liabilities	14,536,542	341,835	1,389,747	16,268,124
Noncurrent liabilities:				
Compensated absences payable	498,475	1,931	17,784	518,190
Workers' compensation benefits payable	477,492	—	18,066	495,558
Loans payable	—	4,172	12,093	16,265
Commercial paper and other borrowings	—	—	1,782	1,782
Capital lease obligations	142,369	—	236,004	378,373
Revenue bonds payable	22,468,049	683,152	477,496	23,628,697
Net other postemployment benefits liability	23,852,872	72,556	232,778	24,158,206
Net pension liability	21,779,120	43,432	287,326	22,109,878
Revenues received in advance	—	—	6,157	6,157
Other noncurrent liabilities	2,259,852	328,743	610,358	3,198,953
Total noncurrent liabilities	71,478,229	1,133,986	1,899,844	74,512,059
Total liabilities	86,014,771	1,475,821	3,289,591	90,780,183
DEFERRED INFLOWS OF RESOURCES	7,463,894	20,982	107,645	7,592,521
Total liabilities and deferred inflows of resources	93,478,665	1,496,803	3,397,236	98,372,704
NET POSITION				
Net investment in capital assets	14,443,373	599	663,547	15,107,519
Restricted:				
Nonexpendable – endowments	6,590,231	—	1,439,981	8,030,212
Expendable:				
Endowments and gifts	13,435,728	—	13,279	13,449,007
Education	439,697	—	1,202,057	1,641,754
Indenture	—	578,610	—	578,610
Statute	—	2,255,858	431,514	2,687,372
Other purposes	—	—	17,880	17,880
Total expendable	13,875,425	2,834,468	1,664,730	18,374,623
Unrestricted	(23,936,223)	(43,748)	500,475	(23,479,496)
Total net position	10,972,806	2,791,319	4,268,733	18,032,858
Total liabilities, deferred inflows of resources, and net position	\$ 104,451,471	\$ 4,288,122	\$ 7,665,969	\$ 116,405,562

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2020

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	\$ 29,067,261	\$ 21,451	\$ 409,384	\$ 29,498,096
Scholarships and fellowships	1,039,128	—	95,159	1,134,287
Supplies	4,218,056	—	14,236	4,232,292
Services and charges	318,494	13,764	1,311,613	1,643,871
Department of Energy laboratories	1,075,559	—	—	1,075,559
Depreciation	2,184,431	213	82,747	2,267,391
Interest expense and fiscal charges	921,796	34,483	33,210	989,489
Other	5,540,351	61,279	58,512	5,660,142
Total operating expenses	44,365,076	131,190	2,004,861	46,501,127
PROGRAM REVENUES				
Charges for services	26,194,785	270,559	1,014,713	27,480,057
Operating grants and contributions	11,560,074	49,550	767,395	12,377,019
Capital grants and contributions	67,742	—	12,859	80,601
Total program revenues	37,822,601	320,109	1,794,967	39,937,677
Net revenues (expenses)	(6,542,475)	188,919	(209,894)	(6,563,450)
GENERAL REVENUES				
Investment and interest income	1,076,880	239,084	109,120	1,425,084
Other	2,667,425	82,357	472,103	3,221,885
Total general revenues	3,744,305	321,441	581,223	4,646,969
Change in net position	(2,798,170)	510,360	371,329	(1,916,481)
Net position – beginning	13,770,976	2,280,959	3,897,404	19,949,339
Net position – ending	\$ 10,972,806	\$ 2,791,319	\$ 4,268,733	\$ 18,032,858

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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, 2020:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, as amended, is effective for the fiscal year ended June 30, 2020. This statement addresses accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Implementation of GASB Statement No. 83 resulted in the recognition of asset retirement obligations and the related deferred outflows of resources in the financial statements of the University of California, a discretely presented component unit.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of the following pronouncements by one year:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*
- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- GASB Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- GASB Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- GASB Implementation Guide No. 2019-2, *Fiduciary Activities*

Additionally, Statement No. 95 postponed the effective dates of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases* by 18 months. The State implemented GASB Statement No. 88, GASB Implementation Guide No. 2018-1, and GASB Implementation Guide No. 2017-3 in previous fiscal years. The State will implement the remaining aforementioned pronouncements according to the postponed effective dates prescribed by GASB Statement No. 95.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for fiscal years ending after December 15, 2021. This Statement addresses existing references in authoritative literature to the term *comprehensive annual financial report* and replaces them with *annual comprehensive financial report*. The State implemented GASB Statement No. 98 for the fiscal year ended June 30, 2020.

A. Reporting Entity

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

1. Blended Component Units

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

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

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

2. Fiduciary Component Units

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

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

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

3. Discretely Presented Component Units

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

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

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

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

The nonmajor consolidated component unit segments are:

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

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

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;
- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and
- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural associations' financial report is as of and for the year ended December 31, 2019).

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, 2020, CADA had total assets and deferred outflows of resources of \$42.6 million, total liabilities and deferred inflows of resources of \$23.6 million, and total net position of \$19.0 million. Total revenues for the fiscal year were \$15.4 million and expenses were \$12.6 million, resulting in an increase in net position of \$2.8 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on CADA's website at www.cadanet.org.

5. Related Organizations

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

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

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

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

information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, go to its website at www.statefundca.com.

The *California Health Benefit Exchange (Exchange)*, an independent public entity, offers health insurance to individuals, families, and small businesses. A five-member board of state-appointed officials governs the Exchange. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the Exchange, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the Exchange, contact Covered California, 1601 Exposition Boulevard, Sacramento, California 95815.

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The State reports the following major governmental funds:

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

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

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for

transportation purposes, including highway and passenger rail construction and transportation safety programs.

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

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

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

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

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

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

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

The State reports the following major enterprise funds:

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

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

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

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

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

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

Additionally, the State reports *internal service funds* as a proprietary fund type with governmental activity. 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 an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds, including fiduciary component units, are not included in the government-wide financial statements.

The State has the following four fiduciary fund types:

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

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

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

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

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

Agency funds account for assets held by the State, which acts as an agent for individuals, private organizations, or other governments. The following are the State's largest agency funds:

The *Receiving and Disbursing Fund* accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from numerous state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The *Deposit Fund* accounts for various deposits, such as those from condemnation and litigation proceedings.

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, the investment trust fund, private purpose trust funds, and pension and other employee benefit trust funds are accounted for using the economic resources measurement focus. **Agency funds** are custodial in nature and do not measure the results of operations.

The accounts of the proprietary fund types, the investment trust fund, private purpose trust funds, pension and other employee benefit trust funds, and agency funds are reported using the accrual basis of accounting. Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed.

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

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

D. Cash and Investments

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

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

E. Receivables

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

F. Inventories

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

G. Net Investment in Direct Financing Leases

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

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

H. Long-term Prepaid Charges

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

I. Capital Assets

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

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

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

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

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

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

J. Long-term Obligations

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

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

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

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other

financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

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

K. Compensated Absences

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

L. Deferred Outflows and Deferred Inflows of Resources

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

1. Deferred Outflows of Resources

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

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Decrease in Fair Value of Hedging Derivatives:* Negative changes in the fair value of hedging derivatives are reported for component units.
- *Net Pension Liability:* Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State’s proportionate

share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Net Other Postemployment Benefits Liability:* Increases in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred outflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized as OPEB expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on OPEB plan investments exceed actual earnings, with the net difference amortized to OPEB expense over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to OPEB and reduce net OPEB liability in the following year. Deferred outflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Asset Retirement Obligations:* Increases in asset retirement obligations that are not recognized as expense in the current reporting period are reported as deferred outflows of resources for component units.

2. Deferred Inflows of Resources

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

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

- *Unavailable Revenues:* Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.
- *Gain on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Service Concession Arrangements*: The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.
- *Irrevocable Split-Interest Agreements*: The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.
- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Net Other Postemployment Benefits Liability*: Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Other Deferred Inflows of Resources*: Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments and nonexchange transactions are reported as a deferred inflow of resources.

M. Nonmajor Enterprise Segment Information

Three nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a

segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

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

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

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

N. Net Position and Fund Balance

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

1. Net Position

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

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

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2020, the government-wide financial statements show restricted net position for the primary government of \$54.4 billion, of which \$10.8 billion is due to enabling legislation.

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

2. Fund Balance

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

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

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

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

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

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

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

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

3. Stabilization Arrangements

a. Budget Stabilization Account

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

The State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the

highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2020, the Budget Stabilization Account had a restricted fund balance of \$16.1 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, 2020, the SFEU represented \$1.2 billion of the committed balance of the General Fund.

0. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by \$37 million due to an increase in the General Fund to adjust accounts receivable for benefit overpayments. An additional \$444 million was shifted from the General Fund to a nonmajor special revenue fund for the omission of a prior year accrual and transfer, but had no effect on the beginning fund balance of *governmental funds*.

The beginning fund balance of *enterprise funds* increased by \$639 million due to an increase in the Unemployment Programs Fund to adjust accounts receivable for benefit overpayments.

The beginning fund balance of *private purpose trust funds* decreased by \$84 thousand to recognize a previously unreported liability within other private purpose trust funds.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by \$819 million. In addition to the restatements described in the previous section for governmental funds, the restatement also includes a \$495 million increase to recognize understated capital assets, and a \$287 million increase to adjust accounts receivable related to prior year benefit payments for Unemployment Programs.

The beginning net position of *business-type activities* was restated as described in the previous section for enterprise funds.

P. Guaranty Deposits

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

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

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

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2020, increased spending authority for the budgetary/legal basis-reported General Fund and the Health Care Related Programs Funds, and decreased spending authority for the budgetary/legal basis-reported Transportation Funds and Environmental and Natural Resources Funds.

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

B. Legal Compliance

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

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

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

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, 2020, these discretely presented component units and related organizations account for approximately 2.7% 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, 2020, totaling approximately \$7.8 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, 2020, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$22 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 \$427 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2019-20 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, 2020

(amounts in thousands)

	June 30, 2020	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Pooled Investments			
U.S. Treasury bills and notes	\$ 53,426,044	\$ 53,426,044	\$ —
U.S. Agency bonds and discount notes	16,423,647	16,423,647	—
Supranational debentures and discount notes	4,144,163	4,144,163	—
Small Business Administration loans	482,514	482,514	—
Mortgage-backed securities	18,042	18,042	—
Certificates of deposit	13,206,383	—	13,206,383
Bank notes	100,199	—	100,199
Commercial paper	7,741,500	—	7,741,500
Total pooled investments at fair value	95,542,492	\$ 74,494,410	\$ 21,048,082
Other primary government investments			
U.S. Treasuries and agencies	3,045,752	\$ 851,223	\$ 2,194,529
Commercial paper	32,077	—	32,077
Corporate debt securities	851,290	—	851,290
Repurchase agreements	19,462	—	19,462
Other	1,579,067	201,216	1,377,851
Total other primary government investments at fair value	5,527,648	\$ 1,052,439	\$ 4,475,209
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	514,079		
Total investments measured at the NAV	514,079		
Other investment instruments			
Guaranteed investment contracts ¹	200,000		
Total other investment instruments	200,000		
Funds outside primary government included in pooled investments			
Less: investment trust funds	32,065,639		
Less: other trust and agency funds	4,438,461		
Less: discretely presented component units and related organizations	2,568,521		
Total primary government investments	\$ 62,711,598		

¹ Reported at carrying value.

As of June 30, 2020, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 199 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, 2020, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

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

As of June 30, 2020, structured notes and medium-term asset-backed securities comprised approximately 2.3% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.1% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICs), are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.2% of the pooled investments.

Table 2 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office Investment Policy for the Pooled Investment Program. Maturities are limited by

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

Table 2

Authorized Investments

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

4. Risk of Investments

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

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

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

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

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

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

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government’s investments. In calculating SBA holdings’ weighted average maturity, the State Treasurer’s Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include \$5.5 billion of time deposits and \$576 million of internal loans to state funds. Repurchase agreements of the California State University system mature in one day. 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, 2020, only \$18 million, or 0.02% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk

June 30, 2020

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	\$ 53,426,044	0.70
U.S. Agency bonds and discount notes	16,423,647	0.48
Supranational debentures and discount notes	4,144,163	0.40
Small Business Administration loans	482,514	0.25
Mortgage-backed securities	18,042	1.36
Certificates of deposit	13,206,383	0.24
Bank notes	100,199	0.17
Commercial paper	7,741,500	0.21
Total pooled investments	95,542,492	
Other primary government investments		
U.S. Treasuries and agencies	3,045,752	3.19
Commercial paper	32,077	0.38
Guaranteed investment contracts ¹	200,000	1.83
Corporate debt securities	851,290	1.04
Repurchase agreements	19,462	—
Other	2,093,146	3.66
Total other primary government investments	6,241,727	
Funds outside primary government included in pooled investments		
Less: investment trust funds	32,065,639	
Less: other trust and agency funds	4,438,461	
Less: discretely presented component units and related organizations	2,568,521	
Total primary government investments	\$ 62,711,598	

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, 2020

(amounts in thousands)

Credit Rating as of Year End		Fair Value
Short-term	Long-term	
Pooled investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 22,329,337
A-1/P-1/F-1	AA/Aa/AA	19,004,671
A-2/P-2/F-2	A/A/A	299,926
Not rated		—
Not applicable.....		53,908,558
Total pooled investments		\$ 95,542,492
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 1,334,461
A-1/P-1/F-1	AA/Aa/AA	2,706,372
A-2/P-2/F-2	A/A/A	988,942
A-3/P-3/F-3	BBB/Baa/BBB	15,029
B/NP/B	BB/Ba/BB	19,701
B/NP/B	B2/B	109,818
Not rated		1,067,404
Total other primary government investments		\$ 6,241,727

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, 2020, one guaranteed investment contract of the Electric Power Fund in the amount of \$100 million was uninsured and uncollateralized.

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, 2020, the State had investments in the Federal Home Loan Mortgage Corporation totaling 6.8% and the Federal Home Loan Bank totaling 8.5% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

The fiduciary funds include pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 96.4% 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 93.3% 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.

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NOTE 4: ACCOUNTS RECEIVABLE

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

Table 5

Schedule of Accounts Receivable

June 30, 2020

(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	\$ 43,072,502	\$ —	\$ —
Federal Fund	—	—	—
Transportation Fund	830,928	241,122	—
Environmental and Natural Resources Fund	15,298	424,371	—
Health Care Related Programs Fund	1,031,357	3,821,892	—
Nonmajor governmental funds	634,870	432,726	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue ¹	(1,988,075)	(213,032)	—
Total current governmental activities	\$ 43,596,880	\$ 4,707,079	\$ —
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ 1,988,075	\$ 213,032	\$ —
Current business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	—	—	504,271
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	\$ —	\$ —	\$ 504,271
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ —	\$ —	\$ —

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

² Amount includes noncurrent receivables for service concession arrangements of \$55 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
\$ 702,525	\$ —	\$ 855,686	\$ 44,630,713
687,652	—	2,425	690,077
—	—	181,743	1,253,793
—	—	117,140	556,809
—	—	241,281	5,094,530
—	—	963,809	2,031,405
—	—	112,602	112,602
(1,131,639)	—	(452,844)	(3,785,590)
\$ 258,538	\$ —	\$ 2,021,842	\$ 50,584,339
\$ 1,131,639	\$ —	\$ 508,291	\$ 3,841,037
\$ —	\$ —	\$ 2,960	\$ 2,960
—	—	86,099	86,099
—	—	—	504,271
1,201,331	—	—	1,201,331
—	211,892	—	211,892
—	—	44,893	44,893
\$ 1,201,331	\$ 211,892	\$ 133,952	\$ 2,051,446
\$ 1,116,514	\$ 375,421	\$ —	\$ 1,491,935

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, 2020

(amounts in thousands)

	Cash and Pooled		Due From Other	Loans	
	Investments	Investments	Governments	Receivable	Total
Primary government					
Debt service	\$ 1,632,087	\$ 352,821	\$ 182,839	\$ 1,986,034	\$ 4,153,781
Construction	1,012,097	—	—	—	1,012,097
Operations	36,704	—	—	—	36,704
Other	1,947	—	—	—	1,947
Total primary government	2,682,835	352,821	182,839	1,986,034	5,204,529
Discretely presented component units					
Debt service	302,486	122,249	—	—	424,735
Other	89,895	—	—	—	89,895
Total discretely presented component units	392,381	122,249	—	—	514,630
Total restricted assets	\$ 3,075,216	\$ 475,070	\$ 182,839	\$ 1,986,034	\$ 5,719,159

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

The State Public Works Board (SPWB) accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the SPWB. The lease-purchase activity between the SPWB and the primary government agencies shown in the schedule below represents only that activity with agencies reported as enterprise funds. The lease receivable of \$8.0 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

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

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

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

(amounts in thousands)

Year Ending June 30	State Public Works Board			California State University
	Primary Government Agencies	Local Agencies	Total	
2021	\$ 15,960	\$ 12,754	\$ 28,714	\$ 25,938
2022	15,966	12,739	28,705	21,400
2023	15,954	12,720	28,674	23,573
2024	15,952	12,701	28,653	23,616
2025	15,930	12,689	28,619	23,515
2026-2030	79,162	61,454	140,616	119,789
2031-2035	78,551	15,558	94,109	54,946
2036-2040	—	—	—	22,901
2041-2045	—	—	—	6,723
2046-2050	—	—	—	4,037
Total minimum lease payments	237,475	140,615	378,090	326,438
Less: unearned income	91,874	32,382	124,256	95,987
Net investment in direct financing leases	145,601	108,233	253,834	230,451
Less: current portion	4,570	7,779	12,349	12,723
Noncurrent net investment in direct financing leases	\$ 141,031	\$ 100,454	\$ 241,485	\$ 217,728

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital activity for the primary government.

Table 8
Schedule of Changes in Capital Assets – Primary Government
 June 30, 2020
 (amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 20,780,336 *	\$ 402,761	\$ 36,231	\$ 21,146,866
State highway infrastructure	78,418,144	1,187,569	53,217	79,552,496
Collections	22,682	—	—	22,682
Construction/development in progress	15,824,573 *	4,171,020	1,854,034	18,141,559
Intangible assets	617,776 *	228,568	—	846,344
Total capital assets not being depreciated/amortized	115,663,511	5,989,918	1,943,482	119,709,947
Capital assets being depreciated/amortized				
Buildings and improvements	26,860,289 *	325,449	137,454	27,048,284
Infrastructure	749,288	3,719	6	753,001
Equipment and other depreciable assets	5,492,524 *	362,487	162,584	5,692,427
Intangible assets	2,682,040 *	76,058	76,933	2,681,165
Total capital assets being depreciated/amortized	35,784,141	767,713	376,977	36,174,877
Less accumulated depreciation/amortization for:				
Buildings and improvements	10,027,757 *	665,552	87,546	10,605,763
Infrastructure	425,799	15,124	6	440,917
Equipment and other depreciable assets	4,422,362 *	401,079	159,284	4,664,157
Intangible assets	1,178,866 *	252,072	65,328	1,365,610
Total accumulated depreciation/amortization	16,054,784	1,333,827	312,164	17,076,447
Total capital assets being depreciated/amortized, net	19,729,357	(566,114)	64,813	19,098,430
Governmental activities, capital assets, net	\$ 135,392,868	\$ 5,423,804	\$ 2,008,295	\$ 138,808,377
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 306,207	\$ 24,742	\$ 539	\$ 330,410
Collections	27,473	3,483	—	30,956
Construction/development in progress	3,257,564	1,329,879	1,378,847	3,208,596
Intangible assets	118,807	6,123	595	124,335
Total capital assets not being depreciated/amortized	3,710,051	1,364,227	1,379,981	3,694,297
Capital assets being depreciated/amortized				
Buildings and improvements	14,283,941 *	1,468,012	23,848	15,728,105
Infrastructure	504,529	48,415	698	552,246
Equipment and other assets	1,007,613 *	81,080	31,760	1,056,933
Intangible assets	433,466	9,740	759	442,447
Total capital assets being depreciated/amortized	16,229,549	1,607,247	57,065	17,779,731
Less accumulated depreciation/amortization for:				
Buildings and improvements	5,527,407 *	410,790	2,851	5,935,346
Infrastructure	166,385	25,657	416	191,626
Equipment and other assets	656,976 *	90,801	30,262	717,515
Intangible assets	205,292 *	17,733	764	222,261
Total accumulated depreciation/amortization	6,556,060	544,981	34,293	7,066,748
Total capital assets being depreciated/amortized, net	9,673,489	1,062,266	22,772	10,712,983
Business-type activities, capital assets, net	\$ 13,383,540	\$ 2,426,493	\$ 1,402,753	\$ 14,407,280

* Restated

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

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

June 30, 2020

(amounts in thousands)

	Amount
Governmental activities	
General government	\$ 314,725
Education	145,030
Health and human services	172,948
Natural resources and environmental protection	88,513
Business, consumer services, and housing	10,024
Transportation	222,194
Corrections and rehabilitation	327,196
Internal service funds (charged to the activities that utilize the fund)	53,197
Total governmental activities	1,333,827
Business-type activities	544,925
Total primary government	\$ 1,878,752

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

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

June 30, 2020

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 1,442,899	\$ 96,412	\$ 5,491	\$ 1,533,820
Collections	554,898	76,185	14,082	617,001
Construction/development in progress	4,360,384	84,367	385,815	4,058,936
Intangible assets	10,344	1,796	5,387	6,753
Total capital assets not being depreciated/amortized	6,368,525	258,760	410,775	6,216,510
Capital assets being depreciated/amortized				
Buildings and improvements	43,015,708	3,774,501	59,104	46,731,105
Infrastructure	938,961	71,594	—	1,010,555
Equipment and other depreciable assets	12,123,766	753,623	347,686	12,529,703
Intangible assets	1,784,908	262,067	196,114	1,850,861
Total capital assets being depreciated/amortized	57,863,343	4,861,785	602,904	62,122,224
Less accumulated depreciation/amortization for:				
Buildings and improvements	18,555,793	1,366,068	28,652	19,893,209
Infrastructure	452,722	32,275	—	484,997
Equipment and other depreciable assets	8,787,228	564,854	311,887	9,040,195
Intangible assets	903,272	304,212	171,136	1,036,348
Total accumulated depreciation/amortization	28,699,015	2,267,409	511,675	30,454,749
Total capital assets being depreciated/amortized, net	29,164,328	2,594,376	91,229	31,667,475
Capital assets, net	\$ 35,532,853	\$ 2,853,136	\$ 502,004	\$ 37,883,985

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, 2020

(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	\$ 191,229	\$ 463,577	\$ 449,148
Federal Fund	531,525	224,455	434,225
Transportation Fund	10,934	7,504	18
Environmental and Natural Resources Fund	9,982	—	13,147
Health Care Related Programs Fund	—	354	87,693
Nonmajor governmental funds	619,336	46,508	96,380
Internal service funds	118,002	160	230,877
Adjustment:			
Fiduciary funds	2,142,976	4,127,466	28,549,475
Total governmental activities	\$ 3,623,984	\$ 4,870,024	\$ 29,860,963
Business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	39,698	—	—
Unemployment Programs Fund	—	—	296,143
California State University	—	289,594	—
Nonmajor enterprise funds	203	1,233	161
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	\$ 39,901	\$ 290,827	\$ 296,304

Natural Resources and Environmental Protection				Transportation	Other	Total	
\$	354,041	\$	7,249	\$	360,242	\$	1,825,486
	58,719		133,271		125,168		1,507,363
	16,964		857,234		2,753		895,407
	473,094		154,140		3,241		653,604
	—		—		—		88,047
	6,410		1,976		97,716		868,326
	34,266		—		15,171		398,476
	—		93,170		—		34,913,087
\$	943,494	\$	1,247,040	\$	604,291	\$	41,149,796
\$	2,254	\$	—	\$	—	\$	2,254
	210,245		—		—		210,245
	—		—		—		39,698
	—		—		—		296,143
	—		—		—		289,594
	2,465		—		7,585		11,647
	—		—		829		829
\$	214,964	\$	—	\$	8,414	\$	850,410

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2020, the primary government had long-term obligations totaling \$312.7 billion. Of that amount, \$8.0 billion is due within one year. Governmental activities had a net increase in long-term obligations of \$6.5 billion. Significant increases included \$1.5 billion in net pension liability, \$4.8 billion in net other postemployment benefits (OPEB) liability, and \$317 million in compensated absences payable. Other notable changes in governmental activities' long-term obligation included a significant decrease of \$671 million in Proposition 98 funding guarantees.

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, 2020, pollution remediation obligations increased by \$92 million, to \$1.3 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, 2020, the State estimates that remediation costs at Stringfellow will total \$492 million. At BKK Landfill, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

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

The State receives a share of net profits generated by the operations of the Wilmington Oil Field. Various unit and production agreements control the character of the oil operations, including the liability associated with the future abandonment of the oil and gas wells and facilities. The State's share of the liability is apportioned based on its net profit interest, among other factors. The State retains a large majority of the total abandonment liability at the end of oil operations. As of June 30, 2020, the State estimates that the oil field abandonment liability is \$910 million, and the State has reserves of \$300 million in the Environmental and Natural Resources Fund (a special revenue fund) to liquidate future oil field abandonment costs.

The other long-term obligations for governmental activities consist of \$63 million to settle lawsuits, Technology Services Revolving Fund notes payable of \$25 million, and Water Resources Revolving Fund notes payable of \$15 million. The net pension liability, net OPEB liability, and compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund,

special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Overall, business-type activities experienced a net increase in long-term obligations of \$3.9 billion. Significant increases included \$2.3 billion for loans payable to the U.S. Department of Labor to cover shortfalls in the Unemployment Programs Fund, \$1.5 billion in net OPEB liability, and \$544 million in net pension liability. Significant decreases included \$384 million in lottery prizes and annuities, and \$244 million in revenue bonds payable.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2020.

Table 12

Schedule of Changes in Long-term Obligations

(amounts in thousands)

	Balance July 1, 2019	Additions
Governmental activities		
Loans payable adjustment for fiduciary funds	\$ 199,063	\$ —
Compensated absences payable	3,681,908	1,585,112
Workers' compensation benefits payable	4,431,589	772,732
Commercial paper and other borrowings	1,032,760	1,707,240
Capital lease obligations	434,876	24,082
General obligation bonds outstanding	72,651,425	7,763,245
Premiums	6,121,425	1,217,614
Total general obligation bonds payable	<u>78,772,850</u>	<u>8,980,859</u>
Revenue bonds outstanding	14,237,729	987,500
Accreted interest	602,521	49,341
Premiums	873,435	111,879
Discounts	(2,025)	—
Total revenue bonds payable	<u>15,711,660</u>	<u>1,148,720</u>
Mandated cost claims payable	1,869,746	132,906
Net other postemployment benefits liability	69,441,716	8,743,332
Net pension liability	81,299,874	27,993,886
Other long-term obligations:		
Oil field abandonment liability	902,100	7,683
Proposition 98 funding guarantee	686,592	—
Pollution remediation obligations	1,206,369	215,250
Other	149,738	14,493
Total other long-term obligations	<u>2,944,799</u>	<u>237,426</u>
Total governmental activities	<u>\$ 259,820,841</u>	<u>\$ 51,326,295</u>
Business-type activities		
Loans payable	\$ —	\$ 2,271,930
Lottery prizes and annuities	1,746,721	4,528,466
Compensated absences payable	359,151	154,619
Workers' compensation benefits payable	5,131	4,873
Commercial paper and other borrowings	799,643	618,445
Capital lease obligations	315,322	73,803
General obligation bonds outstanding	841,255	—
Premiums	10,733	—
Discounts	(1,226)	—
Total general obligation bonds payable	<u>850,762</u>	<u>—</u>
Revenue bonds outstanding	13,168,778	1,425,430
Premiums	1,353,138	114,509
Discounts	(456)	—
Total revenue bonds payable	<u>14,521,460</u>	<u>1,539,939</u>
Net other postemployment benefits liability	14,765,563	2,029,422
Net pension liability	8,730,246	3,338,205
Other long-term obligations	311,571	34,457
Total business-type activities	<u>\$ 42,405,570</u>	<u>\$ 14,594,159</u>

Deductions	Balance June 30, 2020	Due Within One Year	Noncurrent Liabilities
\$ 53,114	\$ 145,949	\$ —	\$ 145,949
1,267,959	3,999,061	11,672	3,987,389
526,312	4,678,009	486,434	4,191,575
1,631,280	1,108,720	—	1,108,720
65,869	393,089	56,369	336,720
8,446,635	71,968,035	3,533,840	68,434,195
423,328	6,915,711	757,830	6,157,881
8,869,963	78,883,746	4,291,670	74,592,076
834,651	14,390,578	737,926	13,652,652
—	651,862	—	651,862
121,118	864,196	114,583	749,613
(653)	(1,372)	(50)	(1,322)
955,116	15,905,264	852,459	15,052,805
167,242	1,835,410	53,040	1,782,370
3,921,652	74,263,396	—	74,263,396
26,478,096	82,815,664	—	82,815,664
—	909,783	—	909,783
670,661	15,931	15,223	708
123,422	1,298,197	77,861	1,220,336
61,337	102,894	46,633	56,261
855,420	2,326,805	139,717	2,187,088
\$ 44,792,023	\$ 266,355,113	\$ 5,891,361	\$ 260,463,752
\$ —	\$ 2,271,930	\$ —	\$ 2,271,930
4,912,666	1,362,521	653,331	709,190
111,434	402,336	138,908	263,428
—	10,004	—	10,004
368,862	1,049,226	72	1,049,154
32,053	357,072	20,897	336,175
62,335	778,920	34,835	744,085
470	10,263	—	10,263
(95)	(1,131)	—	(1,131)
62,710	788,052	34,835	753,217
1,633,708	12,960,500	1,162,065	11,798,435
150,358	1,317,289	62,812	1,254,477
(29)	(427)	—	(427)
1,784,037	14,277,362	1,224,877	13,052,485
571,421	16,223,564	—	16,223,564
2,794,492	9,273,959	—	9,273,959
60,048	285,980	36,718	249,262
\$ 10,697,723	\$ 46,302,006	\$ 2,109,638	\$ 44,192,368

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, 2019, included the primary government and certain discretely presented component units; 1,319 school employers, including charter schools; and 1,612 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, 2018 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2018-state-valuation.pdf. In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

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

The four basic types of retirement are:

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

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

Employees Covered by Benefit Terms: The State’s June 30, 2019 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, 2019

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	197,691	15,345	26,866	41,657	9,301	290,860
Inactive employees entitled to but not yet receiving benefits	63,003	3,730	7,706	7,545	482	82,466
Active employees	214,664	20,769	35,169	47,433	7,531	325,566
Total	475,358	39,844	69,741	96,635	17,314	698,892

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, 2019.

Table 14

Contribution Rates – PERF Plans
June 30, 2019

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate.....	6.901 %	7.969 %	10.485 %	11.456 %	10.523 %
Employer rate of annual payroll.....	29.370	20.431	21.534	45.371	55.124
Total.....	36.271 %	28.400 %	32.019 %	56.827 %	65.647 %

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 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, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	The lesser of Contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

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

to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in the GASB Crossover Testing Report, which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2019.pdf.

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

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

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

Table 16

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

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

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

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

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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	Plan	Net	Total	Plan	Net
	Pension Liability	Fiduciary Net Position	Pension Liability	Pension Liability	Fiduciary Net Position	Pension Liability
Balance at June 30, 2018	\$ 111,518,010	\$ 80,103,319	\$ 31,414,691	\$ 4,477,222	\$ 3,584,595	\$ 892,627
Changes recognized for the measurement period:						
Service cost	2,042,862	—	2,042,862	127,006	—	127,006
Interest on total pension liability	7,970,572	—	7,970,572	324,909	—	324,909
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	2,032,459	—	2,032,459	106,233	—	106,233
Plan to plan resource movement	—	(1,344)	1,344	—	(754)	754
Employer contributions	—	3,777,484	(3,777,484)	—	148,494	(148,494)
Employee contributions	—	942,980	(942,980)	—	61,338	(61,338)
Net investment income	—	5,163,147	(5,163,147)	—	233,027	(233,027)
Benefit payments, including refunds of employee contributions	(6,190,738)	(6,190,738)	—	(205,544)	(205,544)	—
Administrative expense	—	(57,163)	57,163	—	(2,558)	2,558
Other Miscellaneous Income/(Expense) ..	—	185	(185)	—	8	(8)
Net changes	5,855,155	3,634,551	2,220,604	352,604	234,011	118,593
Balance at June 30, 2019 (Measurement Date)	\$ 117,373,165	\$ 83,737,870	\$ 33,635,295	\$ 4,829,826	\$ 3,818,606	\$ 1,011,220

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
\$ 13,119,814	\$ 10,543,433	\$ 2,576,381	\$ 47,213,094	\$ 33,301,642	\$ 13,911,452
536,173	—	536,173	1,044,955	—	1,044,955
951,075	—	951,075	3,381,608	—	3,381,608
—	—	—	—	—	—
227,078	—	227,078	664,430	—	664,430
—	1,482	(1,482)	—	350	(350)
—	523,076	(523,076)	—	1,665,872	(1,665,872)
—	257,071	(257,071)	—	437,937	(437,937)
—	691,911	(691,911)	—	2,175,528	(2,175,528)
(626,451)	(626,451)	—	(2,209,557)	(2,209,557)	—
—	(7,524)	7,524	—	(23,765)	23,765
—	24	(24)	—	77	(77)
1,087,875	839,589	248,286	2,881,436	2,046,442	834,994
\$ 14,207,689	\$ 11,383,022	\$ 2,824,667	\$ 50,094,530	\$ 35,348,084	\$ 14,746,446

(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, 2018	\$ 12,994,141	\$ 8,534,222	\$ 4,459,919	\$ 189,322,281	\$ 136,067,211	\$ 53,255,070
Changes recognized for the measurement period:						
Service cost	257,384	—	257,384	4,008,380	—	4,008,380
Interest on total pension liability	926,056	—	926,056	13,554,220	—	13,554,220
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	135,148	—	135,148	3,165,348	—	3,165,348
Plan to plan resource movement	—	265	(265)	—	(1)	1
Employer contributions	—	507,055	(507,055)	—	6,621,981	(6,621,981)
Employee contributions	—	100,080	(100,080)	—	1,799,406	(1,799,406)
Net investment income	—	556,379	(556,379)	—	8,819,992	(8,819,992)
Benefit payments, including refunds of employee contributions	(612,298)	(612,298)	—	(9,844,588)	(9,844,588)	—
Administrative expense	—	(6,090)	6,090	—	(97,100)	97,100
Other Miscellaneous Income/(Expense) ..	—	20	(20)	—	314	(314)
Net changes	706,290	545,411	160,879	10,883,360	7,300,004	3,583,356
Balance at June 30, 2019 (Measurement Date)	\$ 13,700,431	\$ 9,079,633	\$ 4,620,798	\$ 200,205,641	\$ 143,367,215	\$ 56,838,426

Reported in governmental activities	\$ 45,489,278
Reported in business-type activities	9,273,959
Reported by discretely presented component units	191,511
Not reported in government-wide Statement of Net Position ¹	1,883,678
Total net pension liability – PERF plans	\$ 56,838,426

(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, 2019; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

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

Table 18

Net Pension Liability Sensitivity – PERF Plans

June 30, 2020

(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous	\$ 47,926,601	\$ 33,635,295	\$ 21,663,798
State Industrial	1,673,549	1,011,220	465,331
State Safety	4,705,728	2,824,667	1,267,585
State Peace Officers and Firefighters	21,713,385	14,746,446	9,034,127
California Highway Patrol	6,555,488	4,620,798	3,037,947
Total PERF plans	\$ 82,574,751	\$ 56,838,426	\$ 35,468,788

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, 2020, the State recognized pension expense of \$10.7 billion. At June 30, 2020, 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, 2019, but prior to the fiscal year ended June 30, 2020. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows and inflows of resources. The aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred outflows of resources. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

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

Table 19

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

Related to Pensions – PERF Plans

June 30, 2020

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	\$ 6,120,776	\$ 269,766	\$ 777,216	\$ 2,762,843	\$ 787,425	\$ 10,718,026
Deferred Outflows of Resources:						
Employer contributions.....	5,032,209	245,757	759,505	3,234,348	560,538	9,832,357
Changes of assumptions.....	1,416,890	35,064	203,520	1,103,703	305,133	3,064,310
Difference between expected and actual experience.....	1,765,045	78,955	177,713	753,881	212,928	2,988,522
Deferred Inflows of Resources:						
Difference between expected and actual experience.....	(96,760)	(7,850)	(44,692)	(121,223)	(65,221)	(335,746)
Changes of assumptions.....	(705,578)	(22,261)	(21,594)	(15,062)	—	(764,495)
Net difference between projected and actual earnings on pension plan investments.....	(250,476)	(10,949)	(31,757)	(111,220)	(25,095)	(429,497)

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
2021.....	\$ 1,933,602	\$ 61,503	\$ 206,105	\$ 786,201	\$ 219,495	\$ 3,206,906
2022.....	(343,174)	(4,818)	(2,178)	399,109	101,546	150,485
2023.....	389,629	11,757	36,416	252,664	48,755	739,221
2024.....	149,064	4,517	42,847	172,105	47,938	416,471
2025.....	—	—	—	—	10,011	10,011

Payable to the Pension Plans: At June 30, 2020, the State reported a payable of \$930 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2020.

2. Single-employer Plans

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

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

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

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

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

Judges' – The four basic types of retirement are:

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

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

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

Legislators’ – The three basic types of retirement are:

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

Employees Covered by Benefit Terms: The June 30, 2019 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, 2019

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	1,767	264	214	2,245
Inactive employees entitled to but not yet receiving benefits	4	1	6	11
Active employees	146	1,645	2	1,793
Total	<u>1,917</u>	<u>1,910</u>	<u>222</u>	<u>4,049</u>

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

Judges' II contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2019 actuarial valuation as 32.104%. 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, 2019.

Table 22

Contribution Rates – Single-employer Plans

June 30, 2019

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>
Average active employee rate.....	“Pay-	8.815 %	7.370 %
Employer rate of annual payroll.....	as-you-	24.660	38.145
Total	go”	<u>33.475 %</u>	<u>45.515 %</u>

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 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, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 3.13%, Judges' II 6.65%, Legislators' 5.25%
Inflation	All single-employer plans – 2.50%
Salary increases	All single-employer plans – 2.75%
Investment rate of return	Judges' 3.13%, Judges' II 6.65%, Legislators' 5.25%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	Judges' – 2.75% Judges' II – 2.50% Legislators' – 2.50%

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

Judges' – 3.13%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.13%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 6.65%

Legislators' – 5.25%

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

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

Table 24

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

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

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

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

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

Table 25

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

	Judges'			Judges' II		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018 (Valuation Date).....	\$ 3,036,999	\$ 39,631	\$ 2,997,368	\$ 1,498,154	\$ 1,525,515	\$ (27,361)
Changes recognized for the measurement period:						
Service cost	20,073	—	20,073	103,791	—	103,791
Interest on total pension liability	99,427	—	99,427	103,889	—	103,889
Difference between expected and actual experience	86,873	—	86,873	30,292	—	30,292
Changes of assumptions	153,651	—	153,651	—	—	—
Employer contributions	—	195,903	(195,903)	—	84,099	(84,099)
Employee contributions	—	2,679	(2,679)	—	31,375	(31,375)
Net investment income	—	1,166	(1,166)	—	106,781	(106,781)
Benefit payments, including refunds of employee contributions....	(221,954)	(221,954)	—	(36,204)	(36,204)	—
Administrative expense	—	(10,032)	10,032	—	(1,477)	1,477
Other miscellaneous income	—	2,776	(2,776)	—	—	—
Net changes	138,070	(29,462)	167,532	201,768	184,574	17,194
Balance at June 30, 2019 (Measurement Date).....	\$ 3,175,069	\$ 10,169	\$ 3,164,900	\$ 1,699,922	\$ 1,710,089	\$ (10,167)

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)
\$ 96,780	\$ 113,876	\$ (17,096)	\$ 4,631,933	\$ 1,679,022	\$ 2,952,911
268	—	268	124,132	—	124,132
4,873	—	4,873	208,189	—	208,189
(427)	—	(427)	116,738	—	116,738
—	—	—	153,651	—	153,651
—	250	(250)	—	280,252	(280,252)
—	92	(92)	—	34,146	(34,146)
—	7,860	(7,860)	—	115,807	(115,807)
(7,350)	(7,350)	—	(265,508)	(265,508)	—
—	(324)	324	—	(11,833)	11,833
—	—	—	—	2,776	(2,776)
<u>(2,636)</u>	<u>528</u>	<u>(3,164)</u>	<u>337,202</u>	<u>155,640</u>	<u>181,562</u>
<u>\$ 94,144</u>	<u>\$ 114,404</u>	<u>\$ (20,260)</u>	<u>\$ 4,969,135</u>	<u>\$ 1,834,662</u>	<u>\$ 3,134,473</u>
Reported in governmental activities					<u>\$ 3,134,473</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges’ net pension liability was calculated using a discount rate of 3.13%; Judges’ II used 6.65%; and Legislators’ used 5.25%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans

June 30, 2020

(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges’ (3.13%)	\$ 3,508,926	\$ 3,164,900	\$ 2,873,062
Judges’ II (6.65%)	199,030	(10,167)	(178,722)
Legislators’ (5.25%)	(9,368)	(20,260)	(29,173)
Total Single-employer Plans	\$ 3,698,588	\$ 3,134,473	\$ 2,665,167

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, 2019, the State recognized pension expense of \$444 million. At June 30, 2020, 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, 2019, but prior to the fiscal year ended June 30, 2020, 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, 2020

(amounts in thousands)

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>	<u>Total</u>
Pension Expense	\$ 362,968	\$ 80,395	\$ 1,081	\$ 444,444
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	241,993	83,872	100	325,965
Changes of assumptions	—	43,271	—	43,271
Difference between expected and actual experience	—	26,025	—	26,025
Net difference between projected and actual earnings on pension plan investments	760	—	(490)	270
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(46,334)	—	(46,334)
Changes of assumptions	—	(38,407)	—	(38,407)
Net difference between projected and actual earnings on pension plan investments	—	(9,927)	—	(9,927)

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

Table 28

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

(amounts in thousands)

<u>Year Ending June 30</u>	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>		<u>Total</u>
	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>		
2021	\$ 484	\$ (907)	\$ 380	\$	(43)
2022	292	(12,733)	(126)		(12,567)
2023	65	(5,773)	(329)		(6,037)
2024	(81)	(2,316)	(415)		(2,812)
2025	—	985	—		985
Thereafter	—	(4,628)	—		(4,628)

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 1,788 contributing employers, 448,513 active and 213,127 inactive program members, and 314,405 benefit recipients as of June 30, 2020. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2019, was approximately \$35.8 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 16.28% of creditable compensation, respectively. The General Fund contributed an additional 5.311% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 5.811% in the next year and continue to increase until fiscal year 2045-46. Accordingly, the State contributed \$3.3 billion for fiscal year 2019-20. Additionally, the State made a \$1.1 billion supplemental contribution to reduce the State's unfunded actuarial obligation pursuant to Senate Bill 90. CalSTRS' June 30, 2018 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com/sites/main/files/file-attachments/2018_db_valuation_report.pdf.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2019, the CBB Program had 29 contributing school districts and 40,652 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, 2019, 349 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2018 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2019.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
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 2017 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
Global equity	47.0 %	4.80 %
Fixed Income	12.0	1.30
Real estate	13.0	3.60
Private equity	13.0	6.30
Risk mitigating strategies	9.0	1.80
Inflation sensitive	4.0	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, 2019 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2018 (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, 2019, the State’s proportionate share of the CalSTRS’ net pension liability was 35.30%, or \$31.9 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2020.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$3.7 billion for the fiscal year ended June 30, 2020, 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, 2020

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,032,205	\$ —
Net difference between projected and actual earnings on pension plan investments	—	1,228,052
Difference between expected and actual experiences	80,482	898,360
Proportionate share change	923,235	1,848,199
State contributions subsequent to the measurement date	4,446,836	—
Total	\$ 9,482,758	\$ 3,974,611

The \$4.4 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, 2021.

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
2021	\$ 420,116
2022	(432,355)
2023	726,513
2024	885,431
2025	(315,184)
Thereafter	(223,211)

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, 2020

(amounts in thousands)

	Current Rate -1%	Current Rate 7.10%	Current Rate +1%
State’s proportionate share of net pension liability	\$ 47,472,919	\$ 31,880,645	\$ 18,951,680

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

C. Trial Court Pension Plans

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

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

Net Pension Liability Actuarial Methods and Assumptions: The net pension liability of 49 trial courts was measured as of each individual plan’s measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan’s valuation date, based on the actuarial methods and assumptions used by each plan. For the 32 agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2019, and valued as of June 30, 2018. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2019, and valued as of June 30, 2018. Five of the cost-sharing multiple-employer plans had a measurement date of December 31, 2019; three of these plans had an actuarial valuation date of December 31, 2018, and two had a valuation date of January 1, 2019.

For the remaining six cost-sharing multiple-employer defined benefit trial court pension plans, the net pension liability was measured as of the same date the total pension liability was valued for each individual plan. One of the trial court plans had an actuarial valuation and measurement date of December 31, 2019, and five plans had an actuarial valuation and measurement date of June 30, 2019.

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

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

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	32	23
Valuation date(s):	June 30, 2018	Twelve plans as of June 30, 2018. Three plans as of December 31, 2018. Two plans as of January 1, 2019. Five plans as of June 30, 2019. One plan as of December 31, 2019.
Actuarial assumptions:		
Discount rate	7.15%	Rates ranging from 6.67% to 7.40%

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

Pension Accounting Elements: For the trial court pension plans, the State reported total pension liability of \$10.9 billion and fiduciary net position of \$8.6 billion, which resulted in a net pension liability of \$2.3 billion as of June 30, 2020. For the fiscal year ended June 30, 2020, the State recognized pension expense of \$393 million. At June 30, 2020, the State reported deferred outflows of resources of \$731 million and deferred inflows of resources of \$373 million. The reported deferred outflows of resources included \$307 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, 2021.

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, 2020 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 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, 2019* (June 30, 2019 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, 2019

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	70,106	112,123	182,229
Bargaining Unit 5 Plan	6,776	7,392	14,168
Bargaining Unit 6 Plan	24,717	31,412	56,129
Bargaining Unit 9 Plan	7,137	13,265	20,402
Bargaining Unit 12 Plan	9,920	13,053	22,973
Other Funded Plans	30,358	45,542	75,900
Unfunded Plan	43,687	53,530	97,217
Total	192,701	276,317	469,018

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 2019 monthly State contribution was \$734 for one-party coverage, \$1,398 for two-party coverage, and \$1,788 for family coverage. For the fiscal year ended June 30, 2019, the State contributed \$2.7 billion toward annuitants’ health and dental benefits.

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

For the measurement period ended June 30, 2019 (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, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.13%
Inflation	2.25%
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2019 valuation were based on the results of the *2017 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 1997 to 2015 and included updates to termination, disability, mortality assumptions, and retirement rates. The CalPERS experience study can be obtained from CalPERS' website at www.CalPERS.ca.gov.

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

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

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

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

Table 37

Long-term Expected Real Rate of Return by Asset Class

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

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

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

Discount Rates: The blended rates used to measure the June 30, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, on the State Controller’s Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2020 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 2.45% 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 ¹		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 29,485,488	\$ —	\$ 29,485,488
Changes recognized for the measurement period:			
Service cost	1,078,364	—	1,078,364
Interest on total OPEB liability	1,201,673	—	1,201,673
Difference between expected and actual experiences	(525,007)	—	(525,007)
Changes of assumptions	1,213,332	—	1,213,332
Employer contributions	—	928,206	(928,206)
Employee contributions	—	71,712	(71,712)
Net investment income	—	8,202	(8,202)
Benefit payments	(856,494)	(856,494)	—
Administrative expense	—	(14)	14
Net changes	<u>2,111,868</u>	<u>151,612</u>	<u>1,960,256</u>
Balance at June 30, 2019 (Measurement Date)	<u><u>\$ 31,597,356</u></u>	<u><u>\$ 151,612</u></u>	<u><u>\$ 31,445,744</u></u>

¹ SEIU and EEE began prefunding in the 2018-19 measurement period and shifted from the Unfunded plan from the prior year. SEIU is presented discretely while EEE is included in "Other Funded Plans."

*Restated

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
\$ 4,560,540	\$ 331,052 *	\$ 4,229,488	\$ 14,699,258	\$ 332,511 *	\$ 14,366,747
140,545	—	140,545	503,829	—	503,829
199,637	—	199,637	622,325	—	622,325
41,288	—	41,288	(460,414)	—	(460,414)
318,292	—	318,292	912,754	—	912,754
—	136,068	(136,068)	—	400,805	(400,805)
—	3,943	(3,943)	—	106,592	(106,592)
—	23,834	(23,834)	—	33,447	(33,447)
(78,501)	(78,501)	—	(294,213)	(294,213)	—
—	(77)	77	—	(94)	94
621,261	85,267	535,994	1,284,281	246,537	1,037,744
\$ 5,181,801	\$ 416,319	\$ 4,765,482	\$ 15,983,539	\$ 579,048	\$ 15,404,491

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Bargaining Unit 9 Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 4,098,926	\$ 53,391	* \$ 4,045,535
Changes recognized for the measurement period:			
Service cost	127,060	—	127,060
Interest on total OPEB liability	165,399	—	165,399
Difference between expected and actual experiences	(88,806)	—	(88,806)
Changes of assumptions	145,634	—	145,634
Employer contributions	—	97,833	(97,833)
Employee contributions	—	13,311	(13,311)
Net investment income	—	4,789	(4,789)
Benefit payments	(84,522)	(84,522)	—
Administrative expense	—	(14)	14
Net changes	<u>264,765</u>	<u>31,397</u>	<u>233,368</u>
Balance at June 30, 2019 (Measurement Date)	<u><u>\$ 4,363,691</u></u>	<u><u>\$ 84,788</u></u>	<u><u>\$ 4,278,903</u></u>

Bargaining Unit 12			Other Funded Plans ¹		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 3,994,063	\$ 27,788	* \$ 3,966,275	\$ 14,074,765	\$ 128,914	* \$ 13,945,851
129,311	—	129,311	528,502	—	528,502
162,948	—	162,948	581,170	—	581,170
(97,510)	—	(97,510)	(221,816)	—	(221,816)
152,849	—	152,849	506,543	—	506,543
—	137,101	(137,101)	—	435,583	(435,583)
—	16,268	(16,268)	—	71,376	(71,376)
—	3,552	(3,552)	—	16,116	(16,116)
(120,833)	(120,833)	—	(364,207)	(364,207)	—
—	(9)	9	—	(43)	43
226,765	36,079	190,686	1,030,192	158,825	871,367
\$ 4,220,828	\$ 63,867	\$ 4,156,961	\$ 15,104,957	\$ 287,739	\$ 14,817,218

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Unfunded Plan¹		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 15,556,199	\$ —	\$ 15,556,199
Changes recognized for the measurement period:			
Service cost	651,082	—	651,082
Interest on total OPEB liability	576,896	—	576,896
Difference between expected and actual experiences	(41,161)	—	(41,161)
Changes of assumptions	863,523	—	863,523
Employer contributions	—	546,742	(546,742)
Employee contributions	—	—	—
Net investment income	—	—	—
Benefit payments	(546,742)	(546,742)	—
Administrative expense	—	—	—
Net changes	1,503,598	—	1,503,598
Balance at June 30, 2019 (Measurement Date)	\$ 17,059,797	\$ —	\$ 17,059,797

² 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, 2019; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Total		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 86,469,239	\$ 873,656	* \$ 85,595,583
3,158,693	—	3,158,693
3,510,048	—	3,510,048
(1,393,426)	—	(1,393,426)
4,112,927	—	4,112,927
—	2,682,338	(2,682,338)
—	283,202	(283,202)
—	89,940	(89,940)
(2,345,512)	(2,345,512)	—
—	(251)	251
<u>7,042,730</u>	<u>709,717</u>	<u>6,333,013</u>
<u>\$ 93,511,969</u>	<u>\$ 1,583,373</u>	<u>\$ 91,928,596</u>

Reported in governmental activities	\$ 72,579,409
Reported in business-type activities	16,223,564
Reported by discretely presented component units	140,656
Not reported in government-wide Statement of Net Position ²	<u>2,984,967</u>
Total net OPEB liability	<u>\$ 91,928,596</u>
	(concluded)

Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates: Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 3.13% to 3.85%, 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, 2020

(amounts in thousands)

OPEB Plan	Blended Rate	Blended	Blended	Blended
		Discount Rates	Discount Rates	Discount Rates
		-1%		+1%
Service Employees International Union (SEIU) Plan	3.60%	\$ 37,038,559	\$ 31,445,744	\$ 26,978,518
Bargaining Unit 5 Plan	3.85%	5,832,270	4,765,482	3,942,154
Bargaining Unit 6 Plan	3.73%	18,523,905	15,404,491	12,978,078
Bargaining Unit 9 Plan	3.59%	5,047,122	4,278,903	3,664,301
Bargaining Unit 12 Plan	3.60%	4,871,048	4,156,961	3,584,831
Other Funded Plans	3.52% to 3.78%	17,552,553	14,817,218	12,650,986
Unfunded Plan	3.13%	19,901,785	17,059,797	14,778,679
Total		\$ 108,767,242	\$ 91,928,596	\$ 78,577,547

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, 2020

(amounts in thousands)

OPEB Plan	Healthcare Cost	Healthcare Cost	Healthcare Cost
	Trend Rates	Trend Rates	Trend Rates
	-1%		+1%
Service Employees International Union (SEIU) Plan	\$ 26,649,969	\$ 31,445,744	\$ 37,595,207
Bargaining Unit 5 Plan	3,901,073	4,765,482	5,900,167
Bargaining Unit 6 Plan	12,863,462	15,404,491	18,699,103
Bargaining Unit 9 Plan	3,620,852	4,278,903	5,117,036
Bargaining Unit 12 Plan	3,559,767	4,156,961	4,912,788
Other Funded Plans	12,506,798	14,817,218	17,793,696
Unfunded Plan	14,632,981	17,059,797	20,152,620
Total	\$ 77,734,902	\$ 91,928,596	\$ 110,170,617

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of \$3.7 billion for the fiscal year ended June 30, 2020. 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 inflows 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, 2020, 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, 2020

(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan
OPEB Expense	\$ 1,262,456	\$ 258,649	\$ 599,119	\$ 116,551
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	1,077,554	139,230	477,342	131,031
Difference between expected and actual experiences	—	35,154	—	—
Changes of assumptions	1,045,282	271,001	770,729	123,254
Deferred Inflows of Resources:				
Difference between expected and actual experiences	(2,387,500)	(77,147)	(1,207,775)	(303,463)
Changes of assumptions	(2,669,982)	(364,836)	(1,003,391)	(369,051)
Net difference between projected and actual earnings on OPEB plan investments	(2,614)	(2,275)	(4,601)	(858)

The \$3.0 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021.

Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
\$ 120,217	\$ 610,743	\$ 758,566	\$ 3,726,301
153,368	492,373	512,702	2,983,600
—	24,673	35,116	94,943
128,618	471,130	722,178	3,532,192
(326,343)	(1,062,375)	(937,514)	(6,302,117)
(320,746)	(1,173,852)	(1,322,954)	(7,224,812)
(330)	(1,420)	—	(12,098)

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

Table 42

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

(amounts in thousands)

OPEB Plan	Year Ending June 30					
	2021	2022	2023	2024	2025	Thereafter
Service Employees International Union (SEIU) Plan	\$ (940,949)	\$ (940,949)	\$ (940,949)	\$ (830,278)	\$ (449,062)	\$ 87,373
Bargaining Unit 5	(52,380)	(52,380)	(50,888)	(41,139)	19,654	39,030
Bargaining Unit 6	(389,929)	(389,931)	(388,492)	(281,540)	(25,182)	30,036
Bargaining Unit 9	(157,958)	(157,960)	(146,059)	(76,333)	(16,238)	4,430
Bargaining Unit 12	(152,719)	(152,721)	(135,654)	(77,557)	(2,851)	2,701
Other Funded Plans	(413,662)	(398,345)	(375,649)	(306,656)	(162,368)	(85,164)
Unfunded Plan	(390,452)	(325,437)	(379,092)	(346,193)	(136,793)	74,793
Total	\$ (2,498,049)	\$ (2,417,723)	\$ (2,416,783)	\$ (1,959,696)	\$ (772,840)	\$ 153,199

B. Trial Court OPEB Plans

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

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

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

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

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

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plan	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2019	June 30, 2019	Two plans as of June 30, 2019. One plan as of December 31, 2019.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 3.13% to 7.00%.	Blended rate of 3.27%.	Single rates ranging from 7.00% to 7.25%.
Healthcare cost trend rates	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.00 to 7.50%, decreasing gradually to ultimate rates ranging from 4.00% to 4.50% in 2028 and later years.

Discount Rates: The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.75% to 7.25% when prefunding assets are available to pay benefits. Single rates range from 3.13% to 7.25%. 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 \$244 million, which resulted in a net OPEB liability of \$1.7 billion as of June 30, 2020, reported in governmental activities. For the fiscal year ended June 30, 2020, the State recognized OPEB expense of \$107 million. At June 30, 2020, the State reported deferred outflows of resources of \$91 million and deferred inflows of resources of \$220 million. Deferred outflows of resources included \$56 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021.

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, 2020, there were no borrowings with the banks under the revolving credit agreements. The current “Letter of Credit” agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$2.3 billion. As of June 30, 2020, the general obligation commercial paper program had \$1.1 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, 2020, the enterprise fund commercial paper program had \$920 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, 2020, \$129 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

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

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2020, was approximately \$2.3 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the fiscal year ended June 30, 2020, amounted to approximately \$288 million for governmental activities and \$42 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is \$750 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University, an enterprise fund, and the State Public Works Board (SPWB), an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of \$143 million, which are included in the capital lease commitments. This amount represents 19.1% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of \$180 million for governmental activities and \$160 million for business-type activities.

The capital lease commitments do not include \$8.0 billion in lease-purchase agreements with SPWB and \$38 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

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

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

Table 44
Schedule of Future Minimum Lease Commitments – Primary Government
(amounts in thousands)

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Operating Leases	Capital Leases	Operating Leases	Capital Leases	
2021	\$ 248,119	\$ 97,409	\$ 38,795	\$ 39,272	\$ 423,595
2022	195,328	77,382	32,585	36,790	342,085
2023	145,147	59,805	20,925	36,492	262,369
2024	88,474	35,345	18,519	34,812	177,150
2025	56,638	28,378	18,155	33,969	137,140
2026-2030	107,362	117,331	63,904	157,807	446,404
2031-2035	42,742	94,430	27,222	139,036	303,430
2036-2040	1,445	42,282	24,476	36,930	105,133
2041-2045	747	3,048	18,789	19,484	42,068
2046-2050	467	—	2,444	12,369	15,280
2051-2055	107	—	—	—	107
2056-2060	59	—	—	—	59
Total minimum lease payments	\$ 886,635	555,410	\$ 265,814	546,961	\$ 2,254,820
Less: amount representing interest		162,321		189,889	
Present value of net minimum lease payments		393,089		357,072	
Less: current portion		56,369		20,897	
Capital lease obligation, net of current portion		\$ 336,720		\$ 336,175	

NOTE 14: COMMITMENTS

As of June 30, 2020, the primary government had commitments of \$6.9 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 \$6.0 billion from proceeds of approved federal grants and \$909 million 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 \$858 million for various education programs, \$604 million for terrorism prevention and disaster-preparedness response projects, \$252 million for services provided under various public health programs, \$36 million for community service programs, \$31 million for services provided under the child support program, and \$5 million for services under the workforce development program.

The primary government had other commitments, totaling \$16.8 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$16.8 billion in commitments includes grant agreements totaling approximately \$11.2 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 \$16.8 billion in commitments includes \$2.3 billion for undisbursed loan commitments to qualified agencies for clean water projects and \$377 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$16.8 billion in commitments also includes contracts of \$945 million for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of \$983 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2020, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$16 million in electricity through December 2021. The primary government also had commitments of \$9 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of \$980 million for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2020, the primary government encumbered expenditures of \$3.1 billion for the General Fund, \$4.2 billion for the Transportation Fund, \$2.7 billion for the Environmental and Natural Resources Fund, \$29 million for the Health Care Related Programs Fund, and \$1.5 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, 2020, 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, 2020, the State had \$72.0 billion in outstanding general obligation bonds related to governmental activities and \$779 million related to business-type activities. In addition, \$32.9 billion in long-term general obligation bonds had been authorized but not issued, of which \$31.8 billion is related to governmental activities and \$1.1 billion is related to business-type activities. The total amount authorized but not issued includes \$12.6 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, \$1.1 billion in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2020, the State had \$2.9 billion in variable-rate general obligation bonds outstanding, consisting of \$878 million in daily-rate bonds with credit enhancement, \$1.0 billion in weekly-rate bonds with credit enhancement, and \$1.0 billion in weekly- or monthly- index floating rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced index floating rate bonds are determined either by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate or a predetermined percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds. 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 daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. 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 fiscal year 2019-20.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of January 15, 2021; September 7, 2021; March 25, 2022; August 26, 2022; and August 28, 2023. The letters of credit for the Series 2004 variable-rate bonds have expiration dates of September 7, 2021; October 1, 2021; and January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of March 26, 2021; and September 22, 2023. The Series 2012A index floating rate bonds have a mandatory redemption date on May 1, 2021. The Series 2013B, 2013C, 2013D, and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 1, 2020 (Series 2013C and Series 2013D); December 1, 2022 (Series 2013B); and December 1, 2023 (Series 2013E). The Series 2016B and 2017C index floating rate bonds have scheduled mandatory purchase dates on December 1, 2021 (Series 2016B) and April 1, 2022 (Series 2017C).

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for fiscal year 2019-20.

B. Mandatory Tender Bonds

As of June 30, 2020, the State had \$1.2 billion in outstanding general obligation bonds with scheduled mandatory tender dates, including \$250 million with a fixed interest rate and \$925 million with an index floating rate (discussed in Section A). On their respective scheduled mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption or remarketed on or prior to that day. These bonds have scheduled mandatory tender dates on December 1, 2020; December 1, 2021; April 1, 2022; December 1, 2022; and December 1, 2023. In the event bonds are not redeemed or there is an unsuccessful remarketing of all the outstanding bonds for a particular scheduled mandatory tender date, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, in most cases gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Bonds in this delayed remarketing period can be redeemed or remarketed on any business day, with limited prior notice. Current state laws limit interest rates to 11% per annum.

C. Build America Bonds

As of June 30, 2020, the State had \$12.5 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 will mature between 2020 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the U. S. Treasury equal to

35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 6.2% for the federal fiscal year ending September 30, 2019, and by 5.9% for the federal fiscal year ending September 30, 2020. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the U. S. Treasury under ARRA. The subsidy payments are deposited into the State's General Fund.

D. Debt Service Requirements

Table 45 shows the debt service requirements for all general obligation bonds as of June 30, 2020. The estimated debt service requirements for the \$2.9 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2020. For mandatory tender bonds, the debt service requirements shown in Table 45 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts include scheduled mandatory sinking fund redemptions but do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 45

Schedule of Debt Service Requirements for General Obligation Bonds

(amounts in thousands)

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 3,533,840	\$ 3,472,534	\$ 7,006,374	\$ 34,835	\$ 26,015	\$ 60,850
2022	3,492,610	3,331,473	6,824,083	19,235	25,203	44,438
2023	3,082,330	3,169,911	6,252,241	15,720	24,760	40,480
2024	3,092,775	3,037,752	6,130,527	8,235	24,487	32,722
2025	3,048,695	2,907,684	5,956,379	11,100	24,255	35,355
2026 - 2030	16,552,345	12,455,979	29,008,324	132,500	114,278	246,778
2031 - 2035	15,702,965	8,843,609	24,546,574	195,730	84,303	280,033
2036 - 2040	14,042,225	4,842,563	18,884,788	149,230	52,054	201,284
2041 - 2045	6,604,250	1,322,158	7,926,408	143,235	26,452	169,687
2046 - 2050	2,816,000	283,294	3,099,294	69,100	5,295	74,395
Total	\$ 71,968,035	\$ 43,666,957	\$ 115,634,992	\$ 778,920	\$ 407,102	\$ 1,186,022

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 17, 2019, the primary government issued \$1.7 billion in general obligation bonds to current refund \$2.0 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2020 to 2023, 2026 to 2030, 2032, 2033, 2035 to 2038, and 2040. 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 \$690 million and resulted in an economic gain of \$588 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.91% per year over the life of the new bonds.

On October 24, 2019, the primary government issued \$457 million in general obligation bonds to current refund \$464 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2030, 2035 to 2038, 2040, and 2047. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$38 million and resulted in an economic gain of \$32 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.37% per year over the life of the new bonds.

On November 20, 2019, the primary government issued \$288 million in general obligation bonds to current refund \$353 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2023, 2026 to 2030, 2035, 2037, 2038, and 2040. 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 \$155 million and resulted in an economic gain of \$123 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.86% per year over the life of the new bonds.

On March 19, 2020, the primary government issued \$1.1 billion in general obligation bonds to current refund \$1.3 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2032, 2033, 2035 to 2038, and 2040. 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 \$695 million and resulted in an economic gain of \$562 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.7% per year over the life of the new bonds.

On April 22, 2020, the primary government issued \$821 million in general obligation bonds to current refund \$938 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2025, 2031 to 2033, 2037, 2038, and 2040. 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 \$334 million and resulted in an economic gain of \$275 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.08% 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, 2020, there are no outstanding defeased general obligation bonds.

NOTE 16: REVENUE BONDS**A. Governmental Activities**

The State Treasurer is authorized by state law to issue Federal Highway Grant Anticipation Revenue Vehicles (GARVEE bonds). The purpose of these bonds is to accelerate the funding and construction of critical transportation infrastructure projects to provide congestion relief benefits to the public significantly sooner than with traditional funding mechanisms. These bonds are secured and payable from the annual federal appropriation for the State's federal-aid transportation projects. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. All principal and interest remaining on the bonds was fully paid during fiscal year 2019-20. In addition, 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. Both of 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 \$500 million, payable through 2034. Interest paid in the current year totaled \$4 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 \$13.5 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled \$420 million, while Tobacco Settlement Revenue and interest earned totaled \$423 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 \$12.1 billion, payable through 2045. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

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

B. Business-type Activities

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

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

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

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2019-20, 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 fiscal year 2019-20, which may be found on its website at www.CalHFA.ca.gov.

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

Table 46**Schedule of Revenue Bonds Payable**

June 30, 2020

(amounts in thousands)

Primary government**Governmental activities**

Transportation Fund	\$	1,705
Public Buildings Construction Fund		8,890,984
Nonmajor governmental funds:		
Golden State Tobacco Securitization Corporation Fund		6,438,512
No Place Like Home Program		500,000
Building authorities		74,063
Total governmental activities		15,905,264

Business-type activities

Electric Power Fund		1,528,000
Water Resources Fund		3,045,468
California State University		7,903,636
Nonmajor enterprise funds		1,800,258
Total business-type activities		14,277,362

Total primary government		30,182,626
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Discretely presented component units

University of California		24,225,911
California Housing Finance Agency		721,257
Nonmajor component units		497,044
Total discretely presented component units		25,444,212

Total revenue bonds payable	\$	55,626,838
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Table 47 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 46.

Table 47

Schedule of Debt Service Requirements for Revenue Bonds

(amounts in thousands)

Year Ending June 30	Primary Government				Discretely Presented	
	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest *
2021.....	\$ 737,926	\$ 682,532	\$ 1,162,065	\$ 572,776	\$ 729,546	\$ 1,084,430
2022.....	666,336	649,548	1,237,610	516,944	518,840	1,058,737
2023.....	547,766	619,051	494,770	465,748	573,990	1,034,412
2024.....	622,328	605,728	502,735	441,524	585,413	1,009,567
2025.....	642,433	581,799	505,365	418,295	611,004	983,496
2026-2030.....	3,515,733	2,443,873	2,516,155	1,738,152	4,395,720	4,385,037
2031-2035.....	3,554,055	1,567,685	2,338,290	1,165,410	3,737,193	3,455,353
2036-2040.....	1,950,105	893,859	1,564,275	706,643	3,943,955	2,505,698
2041-2045.....	1,214,930	602,862	1,309,840	403,447	3,400,697	1,550,802
2046-2050.....	1,590,828	2,575,203	1,043,145	144,390	2,621,730	910,188
2051-2055.....	—	—	286,250	9,974	275,896	570,470
2056-2117.....	—	—	—	—	2,585,990	4,680,082
Total.....	\$ 15,042,440	\$ 11,222,140	\$ 12,960,500	\$ 6,583,303	\$ 23,979,974	\$ 23,228,272

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2020.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2019-20 fiscal year, the SPWB issued \$104 million in lease revenue refunding bonds. The bond proceeds were used to refund \$130 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 \$35 million and resulted in an economic gain of \$31 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

2. Current Year – Business-type Activities

In August 2019, the California State University issued \$269 million in systemwide revenue bonds to current and advance refund certain outstanding systemwide revenue bonds. Portions of the proceeds from the refunding bonds were deposited in escrow accounts to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by \$65 million and resulted in an economic gain of \$50 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, 2020, the outstanding balance of defeased revenue bonds was \$549 million for business-type activities. All defeased revenue bonds for governmental activities were redeemed by June 30, 2020.

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 \$4.7 billion as of June 30, 2020. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately \$6.6 billion is discounted to \$4.7 billion using a 3.5% interest rate. Of the total discounted liability, \$486 million is a current liability, of which \$350 million is included in the General Fund, \$133 million in the special revenue funds, and \$3 million in the internal service funds. The remaining \$4.2 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

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

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

Table 48

Schedule of Changes in Self-insurance Claims

Year Ended June 30
(amounts in thousands)

	2020	2019
Unpaid claims, beginning	\$ 4,436,720	\$ 4,307,537
Incurred claims	777,605	641,653
Claim payments	(526,312)	(512,470)
Unpaid claims, ending	<u>\$ 4,688,013</u>	<u>\$ 4,436,720</u>

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NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Short-term interfund receivables and payables result from the time lag between the dates on which goods and services are delivered and the dates on which payments between entities are made. In addition, the majority of the fiduciary funds' amount due from the General Fund, the Federal Trust Fund, and the Health Care Related Programs Fund is to pay for Medi-Cal and other health-care related expenditures accrued in the Health Care Deposit Fund.

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

Table 49

Schedule of Due From Other Funds and Due To Other Funds

June 30, 2020

(amounts in thousands)

Due From	Due To					
	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Fund
Governmental funds						
General Fund	\$ —	\$ —	\$ 51,031	\$ 385,071	\$ —	\$ 1,470,692
Federal Fund	1,782,371	—	1,205,851	79,407	48,304	18,385
Transportation Fund	—	—	—	—	2,504	396,599
Environmental and Natural Resources Fund	—	—	909	—	—	327
Health Care Related Programs Fund	2,217,095	—	—	103	—	9,477
Nonmajor governmental funds	467,216	3	12,117	30,598	31	83,437
Total governmental funds	4,466,682	3	1,269,908	495,179	50,839	1,978,917
Enterprise funds						
Electric Power Fund	223	—	—	—	—	—
Water Resources Fund	761	—	—	—	—	—
State Lottery Fund	261	—	—	—	—	349,051
Unemployment Programs Fund	146,280	1,583,065	—	—	—	—
California State University Fund	—	—	5,353	7,986	1,304	2,349
Nonmajor enterprise funds	4,286	—	—	7,344	—	1,080
Total enterprise funds	151,811	1,583,065	5,353	15,330	1,304	352,480
Internal service funds	34,691	368	26,207	21,089	—	34,439
Total due from other funds	\$ 4,653,184	\$ 1,583,436	\$ 1,301,468	\$ 531,598	\$ 52,143	\$ 2,365,836

Due To						
Electric Power Fund	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
\$ —	\$ —	\$ 3,078	\$ 755	\$ 354,785	\$ 7,891,387	\$ 10,156,799
—	—	—	15,415	81,450	21,838,490	25,069,673
—	4,203	—	117	17,217	57,847	478,487
—	—	—	1,987	25,550	8,057	36,830
—	—	—	—	225	4,991,069	7,217,969
—	—	6,886	460	123,889	113,834	838,471
—	4,203	9,964	18,734	603,116	34,900,684	43,798,229
—	—	—	—	233	—	456
—	—	—	—	99,725	—	100,486
—	—	—	—	591	—	349,903
—	—	—	—	—	—	1,729,345
—	2,189	—	61	36	793	20,071
—	—	—	—	54	36	12,800
—	2,189	—	61	100,639	829	2,213,061
4,040	5,481	—	3,463	177,445	12,403	319,626
\$ 4,040	\$ 11,873	\$ 9,964	\$ 22,258	\$ 881,200	\$ 34,913,916	\$ 46,330,916

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 the 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 \$2.7 billion of interfund loans. There is an additional \$170 million reported as loans receivable from entities outside of the State’s primary government.

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

Table 50

Schedule of Interfund Receivables and Payables

June 30, 2020

(amounts in thousands)

Interfund Receivables	Interfund Payables			
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund
Governmental funds				
General Fund	\$ —	\$ 82,612	\$ 1,202,874	\$ 218,186
Transportation Fund	—	—	—	—
Environmental and Natural Resources Fund	159,586	10,000	—	—
Nonmajor governmental funds	19,387	1,611	2,369	430
Total governmental funds	178,973	94,223	1,205,243	218,616
Enterprise funds				
Electric Power Fund	9,000	13	189	34
Water Resources Fund	—	1,586	23,097	4,190
State Lottery Fund	—	358	5,212	946
California State University Fund	—	3,690	53,731	9,746
Nonmajor enterprise funds	21,220	51	739	134
Total enterprise funds	30,220	5,698	82,968	15,050
Internal service funds	1,913,130	2,013	29,304	5,315
Total interfund receivables	\$ 2,122,323	\$ 101,934	\$ 1,317,515	\$ 238,981

Interfund Payables						
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
\$ 451,392	\$ —	\$ 349,027	\$ 8,392	\$ 19,803	\$ 133,250	\$ 2,465,536
20,000	—	—	—	713	—	20,713
7,406	—	—	—	2,689	—	179,681
889	—	687	17	—	262	25,652
479,687	—	349,714	8,409	23,205	133,512	2,691,582
71	—	55	1	—	21	9,384
8,668	—	6,702	161	—	2,559	46,963
1,956	—	1,512	36	—	578	10,598
20,163	—	15,591	376	—	5,952	109,249
277	—	214	5	—	82	22,722
31,135	—	24,074	579	—	9,192	198,916
10,997	158,355	8,503	204	19,735	3,245	2,150,801
\$ 521,819	\$ 158,355	\$ 382,291	\$ 9,192	\$ 42,940	\$ 145,949	\$ 5,041,299

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

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

Table 51

Schedule of Due From Primary Government and Due To Component Units

June 30, 2020

(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	\$ 221,669
Transportation Fund	7,457
Environmental and Natural Resources Fund	3,969
Nonmajor governmental funds	27,932
Total governmental funds	261,027
Total due from primary government	\$ 261,027

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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 \$4.6 billion to the California State University, an enterprise fund. The General Fund also transferred \$3.0 billion to nonmajor governmental funds, mainly for support of trial courts and local governments. The Transportation Fund transferred \$1.6 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred \$518 million to the General Fund for administration of the Unemployment Insurance Program and \$1.4 billion to the Unemployment Programs Fund.

Table 52 shows interfund transfers of the primary government.

Table 52

Schedule of Interfund Transfers

June 30, 2020

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	\$ —	\$ 5,735	\$ 91,829
Federal Fund	517,863	—	16,389
Transportation Fund	363	—	10,585
Environmental and Natural Resources Fund	56,317	852	—
Health Care Related Programs Fund	—	8	—
Nonmajor governmental funds	46,593	193	26,347
Total governmental funds	621,136	6,788	145,150
Internal service funds	13,171	—	—
Total transfers from other funds	\$ 634,307	\$ 6,788	\$ 145,150

Transferred To						
Health Care Related Programs Fund	Nonmajor Governmental Funds	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Transfers To Other Funds
\$ 169,599	\$ 3,010,613	\$ —	\$ 4,560,920	\$ 6	\$ 36,958	\$ 7,875,660
—	22,430	1,402,023	—	—	—	1,958,705
—	1,613,811	—	—	—	—	1,624,759
—	4,224	—	—	—	—	61,393
—	13	—	—	—	—	21
5,762	131,934	—	—	119	—	210,948
175,361	4,783,025	1,402,023	4,560,920	125	36,958	11,731,486
—	31,463	—	—	—	6,256	50,890
\$ 175,361	\$ 4,814,488	\$ 1,402,023	\$ 4,560,920	\$ 125	\$ 43,214	\$ 11,782,376

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

A. Fund Balances

Table 53 shows the composition of the governmental fund balances.

Table 53

Schedule of Fund Balances by Function

June 30, 2020

(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds
Nonspendable						
Long-term interfund receivables	\$ 2,122,322	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	13,702
Total nonspendable	2,129,227	—	—	—	—	13,702
Restricted						
General government	23,193	—	—	3,779	1	4,346,769
Education	174,133	106	1,226	—	94,174	1,320,217
Health and human services	291,015	62,197	—	76,669	1,551,629	2,787,822
Natural resources and environmental protection	558	1,497	—	5,355,297	—	265,674
Business, consumer services, and housing	1,981	234,835	234,744	23,419	—	4,391,455
Transportation	—	—	8,995,309	—	—	21,884
Corrections and rehabilitation	102,480	—	—	—	—	28,197
Budget stabilization	16,116,422	—	—	—	—	—
Total restricted	16,709,782	298,635	9,231,279	5,459,164	1,645,804	13,162,018
Committed						
General government	1,964,721	—	—	22,479	—	423,925
Education	84,775	—	—	—	—	77,646
Health and human services	904,043	—	260	—	52,158	239,009
Natural resources and environmental protection	4,807	—	3	8,427,480	—	559,063
Business, consumer services, and housing	—	—	—	85,768	—	127,124
Transportation	—	—	45,889	—	—	4,742
Corrections and rehabilitation	7,316	—	—	—	—	595
Total committed	2,965,662	—	46,152	8,535,727	52,158	1,432,104
Assigned						
General government	579,332	—	—	—	—	49,868
Education	83,505	—	—	—	—	—
Health and human services	1,315,656	—	—	—	—	—
Natural resources and environmental protection	724,339	—	—	—	—	—
Business, consumer services, and housing	8,354	—	—	—	—	—
Transportation	1,758	—	—	—	—	—
Corrections and rehabilitation	367,428	—	—	—	—	—
Total assigned	3,080,372	—	—	—	—	49,868
Unassigned	3,616,557	(2,474,960)	—	—	—	—
Total fund balances	\$ 28,501,600	\$ (2,176,325)	\$ 9,277,431	\$ 13,994,891	\$ 1,697,962	\$ 14,657,692

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54

Schedule of Net Position Deficits

June 30, 2020

(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	\$ 2,176,325	\$ —	\$ —
Architecture Revolving Fund	—	112,360	—
Service Revolving Fund	—	1,095,871	—
Technology Services Revolving Fund	—	433,145	—
Water Resources Revolving Fund	—	8,789	—
Other Internal Service Programs Fund	—	982,997	—
Electric Power Fund	—	—	2,115
State Lottery Fund	—	—	81,457
Unemployment Programs Fund	—	—	1,015,885
California State University Fund	—	—	17,068,868
Total net position deficits	\$ 2,176,325	\$ 2,633,162	\$ 18,168,325

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, 2020, the value of restricted endowments and gifts totaled \$20.0 billion, and unrestricted endowments and gifts totaled \$6.1 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 \$2.8 billion at June 30, 2020. 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 \$1.4 billion and \$13 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$3.8 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

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

Table 55

Schedule of Deferred Outflows and Deferred Inflows of Resources

June 30, 2020

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	\$ 849,767	\$ 249,490	\$ 1,099,257	\$ 292,579
Decrease in fair value of hedging derivatives	—	—	—	259,944
Net pension liability	24,010,037	2,099,100	26,109,137	7,052,672
Net other postemployment benefits liability	5,361,954	1,194,202	6,556,156	7,046,817
Deferred asset retirement obligation	—	—	—	87,599
Other deferred outflows	—	—	—	6,354
Total deferred outflows of resources	\$ 30,221,758	\$ 3,542,792	\$ 33,764,550	\$ 14,745,965
Deferred inflows of resources:				
Gain on refunding of debt	\$ 410,369	\$ 3,825	\$ 414,194	\$ 2,700
Service concession arrangements	55,447	—	55,447	243,271
Irrevocable split-interest agreements	—	—	—	326,998
Net pension liability	5,620,554	307,813	5,928,367	262,212
Net other postemployment benefits liability	10,808,346	2,584,053	13,392,399	6,350,737
Other deferred inflows	—	1,346,262	1,346,262	406,603
Total deferred inflows of resources	\$ 16,894,716	\$ 4,241,953	\$ 21,136,669	\$ 7,592,521

NOTE 21: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2020, the CalHFA had \$2.0 billion of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2020, these component units had approximately \$4.3 billion of debt outstanding, which is not debt of the State.

NOTE 22: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2020; those in progress as of June 30, 2020, and settled or decided against the primary government as of January 26, 2022; and those having a high probability of resulting in a decision against the primary government as of January 26, 2022, and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

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

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

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA-Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs assert class action and declaratory relief, and seek attorney fees based on alleged violations of the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. On January 30, 2013, Franchise Tax Board's petition to coordinate these cases was granted. The trial court denied class certification and the plaintiffs appealed. On December 17, 2014, the briefing of the appeal was completed. On August 27, 2018, the Court of Appeal reversed the trial court decision, directing the trial court to certify one or more classes. The State filed a petition for review in the California Supreme Court challenging the Court of Appeal's decision. On October 31, 2018, the California Supreme Court denied the State's petition for review. The plaintiffs' underlying challenge to the LLC fee will be tried. On July 2, 2019, the plaintiffs filed a motion for an award of interim attorneys' fees, which was denied. The plaintiffs filed a motion for class certification, which was granted. The parties filed cross-motions for summary judgment, which were denied on September 17, 2020. A trial date is set for April 4, 2022. Actual and expected future claims for refunds from LLCs are estimated to be as high as \$1.2 billion.

In a previously settled case, *Northwest Energetic Services, LLC v. Franchise Tax Board*, the Court of Appeal found the fee unconstitutional only as applied to the plaintiff. In another previously settled case, *Ventas Finance I, LLC v. Franchise Tax Board*, the Court of Appeal also ruled that the fee was unconstitutional as applied to the plaintiff, but it awarded only a partial refund because Ventas received income from both inside and outside of California. *Bakersfield Mall, LLC v. Franchise Tax Board* raises the same constitutional issues as Northwest and Ventas, but initially pertained to LLCs that conduct business solely within California. Bakersfield Mall, LLC later amended its complaint to reflect the fact that not all of its income is derived within the State, making it similar to the Ventas case. *CA-Centerside II, LLC v. Franchise Tax Board* raises the same constitutional issues as the Bakersfield case, and alleges that the LLC fee is unconstitutional regarding any activities, whether in-state or out-of-state.

A writ petition, *Bekkerman et al. v. California Department of Tax and Fee Administration (formerly the California Board of Equalization)*, was filed against the primary government challenging the validity of a California Department of Tax and Fee Administration (CDTFA) sales tax regulation (California Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone to be based on the full retail price of the phone, rather than any discounted price that is contingent on a service plan contract. A companion class action has been filed. The primary government filed a demurrer that was sustained on September 5, 2017, which resulted in the dismissal of the state defendants from the class action. The plaintiffs appealed that order and subsequently dismissed that appeal voluntarily. In the writ action, plaintiffs amended the writ petition to add class action claims for refunds of sales tax. On September 14, 2018, the court granted the State's motion to strike the class action claims for refunds from the writ petition. CDTFA filed an answer to the amended petition on September 20, 2018. In the writ action, the Court granted the writ on September 4, 2020, and ordered that Rule 1585 may not be applied to bundled sales in which the retailer is also the service carrier. The State appealed on March 17, 2021. CDTFA's opening brief is due February 11, 2022. Briefing should be concluded on or about September 29, 2022. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring CDTFA to refund up to \$1.0 billion in sales tax collections.

The primary government is a defendant in a case, *Coast Community College District (District), et al. v. Commission on State Mandates (Commission)*, regarding a claim that various laws and regulations prescribing standards for the formation and basic operation of California community colleges created reimbursable state mandates under Government Code section 17514 and article XII B, section 6, of the California Constitution. The District filed a test claim before the Commission and on May 26, 2011, the Commission ruled that the test claim did not constitute a reimbursable state-mandated program. On May 22, 2014, the District filed a petition for administrative mandate, seeking review of the Commission's decision. On June 12, 2015, the Superior Court held a hearing and denied the petition. On September 15, 2015, the District filed a notice of appeal. In February 2017, the briefing of the appeal was completed. On April 3, 2020, the Court of Appeal reversed and remanded much of the matter to the Commission on State Mandates to determine whether several minimum conditions for state aid constitute new programs or higher levels of service requiring state reimbursement. The Supreme Court granted review and republished the Court of Appeal's opinion on August 12, 2020. Merits briefing was completed in April 2021, and the parties are awaiting a date for oral argument. The estimated range of loss is not possible to ascertain at this time. As this case is a test claim, other districts could also bring claims for reimbursement for the same reason.

The primary government is a defendant in a case, *640 Tenth LLP, et al. v. Gavin Newsom*, regarding a putative class action complaint filed by a group of Southern California restaurants and gyms against the Governor and state public health officials challenging COVID-19 orders that required them to cease indoor operations. Under an amended complaint, the putative class includes all businesses affected by such orders. Plaintiffs allege that the Governor and health officials violated various state and federal provisions, and that the restrictions on the operation of their businesses constitutes both a regulatory and physical taking of plaintiffs' property without just compensation. Plaintiffs seek appropriate monetary damages to compensate plaintiffs' injuries. In July 2021, the Court sustained the State's demurrer and dismissed the case. Plaintiffs have appealed the dismissal and separately sought relief from the Court of Appeal by filing a writ petition, which the Court of Appeal denied. This case has not been certified as a class action. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in two similar cases: *Atkins v. State of California* and *Reyes v. State of California*, alleging that Senate Bill (SB) 98 and SB 820 unfairly restrict new enrollment at charter schools by requiring schools to be funded according to their average daily attendance during the 2019-20 fiscal year, and by requiring charter schools to offer 175 days of instruction compared to

180 days for public schools. The plaintiffs allege that the bills violate various provisions of the California Constitution, including students' rights to education, equal protection, and due process. SB 98 was amended by SB 820, and the amended law provides that fiscal year 2020-21 budgets be used to determine fiscal year 2020-21 funding for the plaintiffs' schools instead of the 2019-20 average daily attendance. The plaintiff for the *Atkins v. State of California* case amended the complaint and filed the amended complaint on October 9, 2020. On May 4, 2021, petitioners and respondents filed cross opening briefs addressing the merits of the case. By stipulation, the briefing in *Atkins v. State of California* will be case dispositive and in *Reyes v. State of California* will be non-evidentiary. Hearings were set for July 2, 2021. The parties briefed the merits of the case and the court ruled without an evidentiary hearing. On July 27, 2021, the court issued a final decision in favor of respondents on all claims. Respondents lodged a proposed judgment on August 10, 2021. On October 15, 2021, plaintiffs appealed. The estimated range of loss is not possible to ascertain at this time.

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

The primary government is a defendant in seven other coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs are seeking relief for business losses, property damage (personal and real property), evacuation and relocation costs, and other damages, resulting from the flooding and debris. Class certification motions were filed seeking to certify putative classes, and an opposition was filed. On May 17, 2019, a hearing on the class certification motions was held. On September 25, 2019, the class certification motion was denied and was appealed. Class certification discovery was completed and liability discovery closed on October 30, 2020. On February 18, 2021, plaintiffs filed an opening brief for class certification. The State filed its brief on July 15, 2021. The plaintiffs' reply brief was due on October 4, 2021. Oral argument on the appeal is set for February 23, 2022. It is uncertain if the class representatives' claims will go to trial. Liability and damages on the inverse condemnation claims, alleged by certain plaintiffs in the coordinated matter, will be heard in separate trials prior to any tort claims. On April 16, 2021, expert discovery on inverse condemnation liability and causation was completed. The first liability trial, consisting of eight plaintiffs from this case, was submitted to the court on July 20, 2021. Liability discovery closed October 30, 2020, but for certain cases, the parties agreed to keep discovery open until October 15, 2021. On November 29, 2021, the court issued its statement of decision in the first inverse condemnation trial, finding the State not liable and did not cause plaintiffs' damages asserted under their inverse condemnation cause of action. The court ordered all parties to either a mandatory settlement conference or private mediation with the parties to notify the court of their choices by January 28, 2022. The court continued the stay of further damages discovery, and will not set any new trial dates until the parties have completed settlement conferences or private mediation. The parties have elected to pursue private mediation, which will commence April 27-28, 2022. The estimated range of loss for the coordinated cases is not possible to ascertain at this time.

The primary government is a defendant in two similar cases: *Perea, et al. v. Dooley, et al.*, and *Deuschel v. California Health & Human Services Agency*. The petitioners sued the primary government alleging that reimbursements paid to providers under the Medi-Cal program are too low and therefore impaired access to care and services for Medi-Cal patients. The petitioners argue that this constitutes

discrimination against Latinos, senior citizens, and persons with disabilities. The petitioners do not seek damages but seek prospective declaratory and injunctive relief that would require the State to increase the reimbursement rates paid to providers by the Medi-Cal program. The State filed a demurrer to petitioners' Third and First Amended Complaints in 2019. A hearing for the First Amended Complaint was held on February 13, 2020. The Third Amended Complaint was overruled on June 21, 2019, and the matter was actively litigated until April 2020, when the parties stipulated to a stay in light of the COVID-19 pandemic. The stay was lifted on April 10, 2021, and the parties have resumed prepounding and responding to written discovery. A demurrer for the First Amended Complaint was scheduled for a hearing on November 24, 2020; however, following the court's tentative favorable ruling to the State prior to the hearing, the petitioner proceeded in pro per, and filed a series of Americans with Disabilities Act accommodation requests that continued until December 2020. A demurrer hearing was scheduled for September 14, 2021. On October 25, 2021, judgment was entered in favor of defendants. The deadline for petitioners to move for class certification was December 10, 2021. Defendants filed their motion for judgment on the pleadings on November 19, 2021. Plaintiffs filed their Opposition on December 6, 2021 and the State's Reply Brief was filed on December 10, 2021. The hearing on the motion for judgment on the pleadings and the next case management conference has been continued to February 2, 2022. The deadline for petitioners to move for class certification is January 31, 2022 or 30 days after the court rules on the motion for judgment on the pleadings, whichever is later. The estimated impact to prospective rates is not possible to ascertain at this time. The estimated potential loss in the case of *Perea, et al. v. Dooley, et al.*, is \$1.0 billion annually.

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

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

The primary government is a defendant in a case, *Amalgamated Transit Union International, et al. v. U.S. Department of Labor, et al.* Under federal law, as a condition of receiving certain federal transit grants, transit agencies must demonstrate to the Department of Labor's (DOL) satisfaction that they

provide fair and equitable labor arrangements for transit workers, including arrangements that ensure the “continuation of collective bargaining rights.” After California enacted 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 who 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 recently filed a cross-complaint against DOL challenging the reconsidered certification decision as arbitrary and capricious in violation of the Administrative Procedure Act, and it obtained a preliminary injunction staying implementation of the reconsidered determination pending the issuance of a final decision on the merits. The Attorney General represents the State of California. The State expeditiously asserted cross-claims challenging the reconsidered determination and moved quickly to stay its implementation. The State will vigorously pursue its cross claims through dispositive motions and, if necessary, on appeal. The State moved for leave to file a cross-complaint on November 12, 2021; leave was granted on December 3, 2021, with the cross-complaint deemed filed. The Court preliminary enjoined implementation of the reconsidered determination on December 20, 2021. Cross-motions for summary judgment will be heard on February 11, 2022. DOL’s policy could cost California transit agencies several billion dollars in federal grant funds each year.

The primary government is a defendant in a case, *Bear Mountain Development Company, LLC v. State of California*, for breach of contract regarding cancellation of a contract for delivery of Personal Protective Equipment (PPE). The State filed a demurrer on August 13, 2021. The court heard the demurrer on December 15, 2021 and the demurrer was granted with leave to amend. The State expects to file a renewed demurrer to the amended complaint. The plaintiff is seeking damages of \$799 million for the State’s cancellation of a contract for delivery of PPE.

The primary government is aware of one unasserted claim against the State of California by Blue Flame Medical, LLC for cancellation of contracts for delivery of PPE. The estimated potential loss of the claim could be in excess of \$300 million.

B. Federal Audit Exceptions

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

NOTE 23: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2020, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2020 and February and March 2021, the University of California, a major component unit, through its conduit, issued \$5.6 billion in revenue bonds to finance or refinance certain improvements to the University and construction projects, to refund outstanding bonds, and to pay certain working capital projects and related issuance costs.

In July 2020 and May 2021, the Department of Water Resources issued a total of \$1.6 billion in revenue bonds to fund construction of water system projects; to repay commercial papers; to refund certain outstanding water system revenue bonds; to fund capitalized interest; to fund a deposit to the debt service reserve account; and to pay related issuance costs.

In August 2020 and July 2021, the California State University (CSU) issued \$3.2 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 September 2020 and August 2021, the primary government issued \$206 million in veterans home purchase revenue bonds and \$97 million in veterans general obligation bonds to build bond reserve accounts and to finance the purchase of homes and farms for California military veterans.

In September and October 2020, and March, April, October, and November 2021, the State Public Works Board issued a total of \$2.5 billion in lease revenue bonds to finance and refinance the design and construction costs of various projects; to refund and defease lease revenue bonds; to reimburse interim loans; to fund capitalized interest; to fund a contribution to the Master Indenture Reserve Fund, if necessary; and to pay related issuance costs.

In September, October, and November 2020, and March, April, September, and November 2021, the primary government issued a total of \$10.7 billion in general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes; to pay certain commercial paper notes as they mature; to current refund certain outstanding bonds; and to pay related issuance costs.

In October 2020, the California Health Facilities Financing Authority issued \$450 million in revenue bonds under the No Place Like Home Program to provide housing for persons experiencing homelessness, chronic homelessness, or who are in need of mental health services; to fund capitalized interest; and to pay issuance costs.

In December 2020, the California Infrastructure and Economic Development Bank, a component unit, issued \$324 million in revenue bonds to advance refund and defease all of the outstanding Infrastructure State Revolving Fund bonds and to pay related issuance costs.

In March, September, and December 2021, the Golden State Tobacco Securitization Corporation, a blended component unit, issued \$6.5 billion in asset-backed bonds to refund a portion of its outstanding Tobacco Settlement Asset-backed bonds, to refund and defease Refunded bonds, and to pay issuance costs.

B. COVID-19

In March 2020, the Governor of California proclaimed a state of emergency in response to the worldwide outbreak of the disease caused by the novel coronavirus (COVID-19). In a continued effort to address the COVID-19 outbreak, the State allocated \$1.5 billion in its 2020-21 Budget Act to fund expected COVID-19 response at various departments. In addition, the State, in its 2020-21 budget, reserved \$716 million in the Special Fund for Economic Uncertainties for response to COVID-19. The COVID-19 emergency quickly developed into an economic crisis that has impacted the State's financial position in three main ways:

- Lower tax revenues due to worker displacement and mandated business closures.
- Increased direct cost to respond to the public health emergency, including expansion of the State's hospitals and laboratory capacity, and the purchase of medical supplies, including ventilators.
- Increased indirect costs due to claims for unemployment, Medi-Cal, food assistance, and other assistance programs.

The Governor's 2020-21 Budget took concerted steps to address the estimated \$54.3 billion budget shortfall from the COVID-19 challenges. The Budget's plan to reduce the shortfall included utilizing \$8.8 billion in reserves and \$9.3 billion in special fund borrowing and transfers, obtaining \$10.1 billion in federal funds, generating \$4.4 billion in new revenues, reducing or deferring \$11.1 billion in school funding, and suspending \$10.6 billion in government program expansions.

In response to the nationwide impact of COVID-19, the federal government enacted six federal stimulus bills totaling over \$600 billion to help pay for emergency response, testing, tracing, health care, and vaccinations. Included in these bills is \$191 billion for the American Rescue Plan Act of 2021, from which California will receive \$43 billion in recovery funds to cover costs sustained between March 2021 and December 2024. The 2021-22 State budget will allocate \$27 billion of the Coronavirus State Fiscal Recovery Fund in four main ways:

- \$1.8 billion – to provide support to state and local health care facilities and assist California citizens suffering from emotional and behavioral health concerns due to COVID-19.
- \$12.2 billion – to address various negative economic impacts of COVID-19 on households, individuals, businesses, and industry.
- \$9.2 billion – to restore revenue the State lost as a result of the COVID-19 pandemic.
- \$3.8 billion – to invest in infrastructure projects that promote access to and affordability of broadband.

Due to the COVID-19 pandemic, California experienced unemployment rates of 14.1% in June 2020 and 7.7% in June 2021. As of January 26, 2022, the State had \$19.7 billion in outstanding loans from the U.S. Department of Labor.

The state of emergency proclaimed by the Governor in March 2020 in response to the COVID-19 pandemic has remained in effect and is scheduled to end March 31, 2022.

C. Other

California continues to face a lengthy fire season and catastrophic wildfires. The record-setting 2020 fire season saw nearly 10,000 fires resulting in 10,488 structures damaged or destroyed, and over 4.2 million acres burned. The 2021 fire season saw over 8,800 fires and 2.6 million acres burned. The estimated losses due to these wildfires is not available at this time.

On November 3, 2020, California voters approved Proposition 14, which authorizes \$5.5 billion in general obligation bonds primarily for stem cell research and the development of new medical treatments in California.

With the enactment of the 2021-22 Budget in June 2021, the State invested \$1.5 billion over the next three years to improve public safety across California's most wildfire-vulnerable communities as part of the Forest Management Task Force's Wildfire and Forest Resilience Action Plan.

In April 2021, the Governor proclaimed a drought emergency for two counties, and later expanded the drought emergency proclamation to cover 50 of the 58 counties in California. The 2021-22 Budget allocated \$5.1 billion over four years to combat California's severe drought conditions by funding emergency drought relief, protecting water supplies, investing in flood management, supporting restoration of natural areas and ecosystems, and sustaining groundwater and water conveyance projects.

In September 2021, 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, 2020*, which will be used to measure the State's net OPEB liability as of June 30, 2021. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2021 of \$95.2 billion, a \$3.3 billion increase over the net OPEB liability reported as of June 30, 2020. The report is available on the State Controller's Office website, at www.sco.ca.gov.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

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

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

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

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

<u>2016³</u>	<u>2017³</u>	<u>2018³</u>	<u>2019³</u>
\$ 107,868	\$ 124,792	\$ 119,521	\$ 127,006
273,308	290,058	301,134	324,909
7,009	21,516	(19,063)	106,233
—	245,450	(54,062)	—
(167,359)	(177,654)	(190,683)	(205,544)
<u>220,826</u>	<u>504,162</u>	<u>156,847</u>	<u>352,604</u>
3,595,387	3,816,213	4,320,375	4,477,222
<u>\$ 3,816,213</u>	<u>\$ 4,320,375</u>	<u>\$ 4,477,222</u>	<u>\$ 4,829,826</u>
\$ 116,730	\$ 123,163	\$ 241,062	\$ 148,494
52,775	54,114	58,404	61,338
14,444	322,150	272,379	233,027
(167,359)	(177,654)	(190,683)	(205,544)
216	(141)	268	(754)
(1,758)	(4,282)	(5,014)	(2,558)
—	—	(9,522)	8
<u>15,048</u>	<u>317,350</u>	<u>366,894</u>	<u>234,011</u>
2,885,303	2,900,351	3,217,701	3,584,595
<u>\$ 2,900,351</u>	<u>\$ 3,217,701</u>	<u>\$ 3,584,595</u>	<u>\$ 3,818,606</u>
\$ 915,862	\$ 1,102,674	\$ 892,627	\$ 1,011,220
76.00 %	74.48 %	80.06 %	79.06 %
\$ 625,220	\$ 643,295	\$ 695,014	\$ 728,609
146.49 %	171.41 %	128.43 %	138.79 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

* Restated

2016 ³	2017 ³	2018 ³	2019 ³
\$ 438,147	\$ 497,129	\$ 504,383	\$ 536,173
786,096	827,412	877,944	951,075
(2,235)	(109,901)	(21,592)	227,078
—	673,183	(41,225)	—
(502,427)	(538,735)	(578,504)	(626,451)
719,581	1,349,088	741,006	1,087,875
10,310,139	11,029,720	12,378,808	13,119,814
\$ 11,029,720	\$ 12,378,808	\$ 13,119,814	\$ 14,207,689
\$ 401,108	\$ 433,232	\$ 774,759	\$ 523,076
221,615	231,364	245,021	257,071
42,258	926,106	797,214	691,911
(502,427)	(538,735)	(578,504)	(626,451)
548	295	532	1,482
(4,966)	(12,264)	(14,565)	(7,524)
—	—	(27,658)	24
158,136	1,039,998	1,196,799	839,589
8,148,500	8,306,636	9,346,634	10,543,433
\$ 8,306,636	\$ 9,346,634	\$ 10,543,433	\$ 11,383,022
\$ 2,723,084	\$ 3,032,174	\$ 2,576,381	\$ 2,824,667
75.31 %	75.51 %	80.36 %	80.12 %
\$ 2,100,295	\$ 2,167,429	\$ 2,339,642	\$ 2,468,018
129.65 %	139.90 %	110.12 %	114.45 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

* Restated

2016 ³	2017 ³	2018 ³	2019 ³
\$ 861,694	\$ 980,897	\$ 1,011,482	\$ 1,044,955
2,902,900	3,018,186	3,185,628	3,381,608
18,316	(286,527)	354,089	664,430
—	2,608,752	(25,104)	—
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)
1,960,069	4,383,281	2,461,088	2,881,436
38,408,656	40,368,725	44,752,006	47,213,094
\$ 40,368,725	\$ 44,752,006	\$ 47,213,094	\$ 50,094,530
\$ 1,265,145	\$ 1,427,240	\$ 3,068,270	\$ 1,665,872
381,185	399,946	421,662	437,937
137,927	2,954,170	2,522,044	2,175,528
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)
114	1,628	(104)	350
(16,295)	(39,395)	(45,950)	(23,765)
—	—	(87,261)	77
(54,765)	2,805,562	3,813,654	2,046,442
26,737,191	26,682,426	29,487,988	33,301,642
\$ 26,682,426	\$ 29,487,988	\$ 33,301,642	\$ 35,348,084
\$ 13,686,299	\$ 15,264,018	\$ 13,911,452	\$ 14,746,446
66.10 %	65.89 %	70.53 %	70.56 %
\$ 3,241,895	\$ 3,416,627	\$ 3,557,011	\$ 3,676,854
422.17 %	446.76 %	391.10 %	401.06 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

<u>2016³</u>	<u>2017³</u>	<u>2018³</u>	<u>2019³</u>
\$ 210,619	\$ 237,064	\$ 248,531	\$ 257,384
809,691	833,062	878,113	926,056
125,614	(158,392)	103,283	135,148
—	721,972	12,213	—
(516,723)	(543,456)	(579,080)	(612,298)
629,201	1,090,250	663,060	706,290
10,611,630	11,240,831	12,331,081	12,994,141
\$ 11,240,831	\$ 12,331,081	\$ 12,994,141	\$ 13,700,431
\$ 375,928	\$ 426,603	\$ 978,060	\$ 507,055
86,111	91,116	95,482	100,080
33,918	747,272	639,591	556,379
(516,723)	(543,456)	(579,080)	(612,298)
292	1,050	330	265
(4,111)	(9,923)	(11,583)	(6,090)
—	—	(21,997)	20
(24,585)	712,662	1,100,803	545,411
6,745,342	6,720,757	7,433,419	8,534,222
\$ 6,720,757	\$ 7,433,419	\$ 8,534,222	\$ 9,079,633
\$ 4,520,074	\$ 4,897,662	\$ 4,459,919	\$ 4,620,798
59.79 %	60.28 %	65.68 %	66.27 %
\$ 808,032	\$ 851,427	\$ 884,197	\$ 933,689
559.39 %	575.23 %	504.40 %	494.90 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

	<u>2016³</u>	<u>2017³</u>	<u>2018³</u>	<u>2019³</u>
\$	29,314	\$ 22,733	\$ 19,131	\$ 20,073
	107,514	115,067	109,395	99,427
	(59,421)	(366,200)	(121,259)	86,873
	384,306	(107,670)	(20,879)	153,651
	(199,349)	(200,440)	(207,823)	(221,954)
	<u>262,364</u>	<u>(536,510)</u>	<u>(221,435)</u>	<u>138,070</u>
	3,532,580	3,794,944	3,258,434	3,036,999
\$	<u>3,794,944</u>	<u>3,258,434</u>	<u>3,036,999</u>	<u>3,175,069</u>
\$	192,287	\$ 204,475	\$ 199,241	\$ 195,903
	3,559	3,398	3,061	2,679
	193	424	846	1,166
	(199,349)	(200,440)	(207,823)	(221,954)
	(642)	(1,771)	(2,106)	(10,032)
	<u>2,568</u>	<u>2,395</u>	<u>(1,863)</u>	<u>2,776</u>
	(1,384)	8,481	(8,644)	(29,462)
	41,178	39,794	48,275	39,631
\$	<u>39,794</u>	<u>48,275</u>	<u>39,631</u>	<u>10,169</u>
\$	<u>3,755,150</u>	<u>3,210,159</u>	<u>2,997,368</u>	<u>3,164,900</u>
	1.05 %	1.48 %	1.30 %	0.32 %
\$	23,537	\$ 26,102	\$ 24,007	\$ 22,117
	15954.24 %	12298.52 %	12485.39 %	14309.81 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

Schedule of State Pension Contributions

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

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

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

(continued)

Schedule of State Pension Contributions (continued)

For the Past Six Fiscal Years¹
(amounts in thousands)

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

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

(continued)

Schedule of State Pension Contributions (continued)

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered payroll:	Pensionable earnings provided by the employer.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2018.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2017 Actuarial Valuation Report.
Asset valuation method	PERF – Fair value of assets; for details see plan's June 30, 2017 Actuarial Valuation Report. Judges' – Market value of assets Judges' II – Market value of assets Legislators' – Market value of assets
Inflation	PERF – 2.625% 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 – 2.875% 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 – 7.25%, 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 Six Fiscal Years¹

(amounts in thousands)

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

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

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

Schedule of the State's Contributions – CalSTRS

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

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

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954, 22955 and 22955.1, as well as California Public Resources Code section 6217. Additionally, contributions for fiscal year 2019-20 include a supplemental contribution of \$1.1 billion for the State, pursuant to Senate Bill 90.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2018.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 30 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.00%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

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

2017		2018		2019		2020	
\$	2,472,993	\$	2,790,444	\$	3,082,316	\$	4,446,836
	2,472,993		2,790,444		3,082,316		4,446,836
\$	—	\$	—	\$	—	\$	—

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2019^{2,6}</u>
RETIREE HEALTH BENEFITS PROGRAM	
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)³	
Total OPEB liability	
Service cost	\$ 1,078,364
Interest on total OPEB liability	1,201,673
Differences between expected and actual experiences ⁵	(525,007)
Changes in assumptions	1,213,332
Benefit payments	(856,494)
Net change in total OPEB liability	<u>2,111,868</u>
Total OPEB liability – beginning	29,485,488
Total OPEB liability – ending (a)	<u>\$ 31,597,356</u>
Plan fiduciary net position	
Contributions – employer	\$ 856,494
Contributions – prefunding	71,712
Contributions – employee	71,712
Net investment income	8,202
Benefit payments	(856,494)
Administrative expense	(14)
Other expenses	—
Net change in plan fiduciary net position	<u>151,612</u>
Plan fiduciary net position – beginning	—
Plan fiduciary net position – ending (b)	<u>\$ 151,612</u>
State’s net OPEB liability – ending (a) – (b)	<u>\$ 31,445,744</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %
Covered payroll	\$ 7,317,203
State’s net OPEB liability as a percentage of covered payroll	429.75 %

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, 2019*, and the actual pay-as-you-go contributions allocated to plans.

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

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

For the Past Fiscal Years¹

(amounts in thousands)

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

* Restated

2019²

\$	140,545
	199,637
	41,288
	318,292
	(78,501)
	<u>621,261</u>
	4,560,540
\$	<u>5,181,801</u>

\$	78,501
	57,567
	3,943
	23,834
	(78,501)
	(77)
	<u>85,267</u>
	331,052 *
\$	<u>416,319</u>

\$ 4,765,482

8.03 %

\$ 942,765

505.48 %

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

For the Past Fiscal Years¹

(amounts in thousands)

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

* Restated

2019²

\$	503,829
	622,325
	(460,414)
	912,754
	(294,213)
	<u>1,284,281</u>
	14,699,258
\$	<u>15,983,539</u>

\$	294,213
	106,592
	106,592
	33,447
	(294,213)
	(94)
	<u>—</u>
	246,537
	332,511 *
\$	<u>579,048</u>

\$ 15,404,491

3.62 %

\$ 2,819,233

546.41 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 9 PLAN³		
Total OPEB liability		
Service cost	\$ 166,173	\$ 142,954
Interest on total OPEB liability	154,495	174,062
Differences between expected and actual experiences ⁵	—	(334,650)
Changes in assumptions	(475,991)	(200,549)
Benefit payments	(82,449)	(85,278)
Net change in total OPEB liability	(237,772)	(303,461)
Total OPEB liability – beginning	4,640,159	4,402,387
Total OPEB liability – ending (a)	\$ 4,402,387	\$ 4,098,926
Plan fiduciary net position		
Contributions – employer	\$ 82,449	\$ 85,278
Contributions – prefunding	35,210	5,688
Contributions – employee	—	5,688
Net investment income	3,630	3,246
Benefit payments	(82,449)	(85,278)
Administrative expense	(11)	(22)
Other expenses	—	—
Net change in plan fiduciary net position	38,829	14,600
Plan fiduciary net position – beginning	—	38,829
Plan fiduciary net position – ending (b)	\$ 38,829	\$ 53,429
State’s net OPEB liability – ending (a) – (b)	\$ 4,363,558	\$ 4,045,497
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %
Covered payroll	\$ 1,366,302	\$ 1,376,743
State’s net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %

* Restated

2019²

\$	127,060
	165,399
	(88,806)
	145,634
	(84,522)
	<u>264,765</u>
	4,098,926
\$	<u>4,363,691</u>

\$	84,522
	13,311
	13,311
	4,789
	(84,522)
	(14)
	<u>31,397</u>
	53,391 *
\$	<u>84,788</u>

\$ 4,278,903

1.94 %

\$ 1,502,529

284.78 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 12 PLAN³		
Total OPEB liability		
Service cost	\$ 167,689	\$ 146,732
Interest on total OPEB liability	154,036	172,744
Differences between expected and actual experiences ⁵	—	(362,455)
Changes in assumptions	(433,966)	(166,573)
Benefit payments	(110,860)	(114,235)
Net change in total OPEB liability	(223,101)	(323,787)
Total OPEB liability – beginning	4,540,951	4,317,850
Total OPEB liability – ending (a)	\$ 4,317,850	\$ 3,994,063
Plan fiduciary net position		
Contributions – employer	\$ 110,860	\$ 114,235
Contributions – prefunding	1,076	8,280
Contributions – employee	1,076	8,280
Net investment income	872	1,051
Benefit payments	(110,860)	(114,235)
Administrative expense	(4)	(9)
Other expenses	—	—
Net change in plan fiduciary net position	3,020	17,602
Plan fiduciary net position – beginning	7,186	10,206
Plan fiduciary net position – ending (b)	\$ 10,206	\$ 27,808
State’s net OPEB liability – ending (a) – (b)	\$ 4,307,644	\$ 3,966,255
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %
Covered payroll	\$ 627,283	\$ 676,752
State’s net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %

* Restated

2019²

\$	129,311
	162,948
	(97,510)
	152,849
	(120,833)
	<u>226,765</u>
	3,994,063
\$	<u>4,220,828</u>

\$	120,833
	16,268
	16,268
	3,552
	(120,833)
	(9)
	<u>36,079</u>
	27,788 *
\$	<u>63,867</u>

\$ 4,156,961

1.51 %

\$ 723,964

574.19 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
OTHER FUNDED PLANS³		
Total OPEB liability		
Service cost	\$ 92,991	\$ 501,028
Interest on total OPEB liability	74,923	523,258
Differences between expected and actual experiences ⁵	—	(1,033,520)
Changes in assumptions	(197,059)	(304,299)
Benefit payments	(46,820)	(288,774)
Net change in total OPEB liability	(75,965)	(602,307)
Total OPEB liability – beginning	2,116,405	12,699,917
Total OPEB liability – ending (a)	\$ 2,040,440	\$ 12,097,610
Plan fiduciary net position		
Contributions – employer	\$ 46,820	\$ 288,774
Contributions – prefunding	10,442	32,759
Contributions – employee	2,323	32,759
Net investment income	1,589	5,578
Benefit payments	(46,820)	(288,774)
Administrative expense	(7)	(47)
Other expenses	—	—
Net change in plan fiduciary net position	14,347	71,049
Plan fiduciary net position – beginning	4,836	57,956 *
Plan fiduciary net position – ending (b)	\$ 19,183	\$ 129,005
State’s net OPEB liability – ending (a) – (b)	\$ 2,021,257	\$ 11,968,605
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %
Covered payroll	\$ 851,868	\$ 3,469,855
State’s net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %

* Restated

2019^{2,4}

\$	528,502
	581,170
	(221,816)
	506,543
	(364,207)
	<u>1,030,192</u>
	14,074,765
\$	<u>15,104,957</u>

\$	364,207
	71,376
	71,376
	16,116
	(364,207)
	(43)
	<u>—</u>
	158,825
	128,914 *
\$	<u>287,739</u>

\$ 14,817,218

1.90 %

\$ 4,162,765

355.95 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
UNFUNDED PLAN³		
Total OPEB liability		
Service cost	\$ 2,805,040	\$ 2,008,794
Interest on total OPEB liability	2,112,139	1,959,522
Differences between expected and actual experiences ⁵	—	(4,164,211)
Changes in assumptions	(6,610,919)	(1,766,620)
Benefit payments	(1,457,705)	(1,352,652)
Net change in total OPEB liability	<u>(3,151,445)</u>	<u>(3,315,167)</u>
Total OPEB liability – beginning	64,144,931	50,334,009
Total OPEB liability – ending (a)	<u>\$ 60,993,486</u>	<u>\$ 47,018,842</u>
Plan fiduciary net position		
Contributions – employer	\$ 1,457,705	\$ 1,352,652
Contributions – prefunding	—	—
Contributions – employee	—	—
Net investment income	—	—
Benefit payments	(1,457,705)	(1,352,652)
Administrative expense	—	—
Other expenses	—	—
Net change in plan fiduciary net position	<u>—</u>	<u>—</u>
Plan fiduciary net position – beginning	—	—
Plan fiduciary net position – ending (b)	<u>\$ —</u>	<u>\$ —</u>
State’s net OPEB liability – ending (a) – (b)	<u>\$ 60,993,486</u>	<u>\$ 47,018,842</u>
Plan fiduciary net position as a percentage of the total OPEB liability	— %	— %
Covered payroll	\$ 12,525,617	\$ 10,825,049
State’s net OPEB liability as a percentage of covered payroll	486.95 % (concluded)	434.35 % (concluded)

2019^{2,4,6}

\$	651,082
	576,896
	(41,161)
	863,523
	(546,742)
	<u>1,503,598</u>
	15,556,199
\$	<u>17,059,797</u>

\$	546,742
	—
	—
	—
	(546,742)
	—
	—
	<u>—</u>
\$	<u>—</u>

\$ 17,059,797

— %

\$ 3,366,371

506.77 %
(concluded)

Schedule of OPEB Contributions

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2018</u>	<u>2019³</u>
RETIREE HEALTH BENEFITS PROGRAM		
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN²		
Actuarially determined contribution	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—
Contribution deficiency	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ —	\$ —
Contributions as a percentage of covered payroll	—	—
BARGAINING UNIT 5 PLAN		
Actuarially determined contribution	\$ 204,361	\$ 210,625
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)
Contribution deficiency	<u>\$ 19,905</u>	<u>\$ 73,150</u>
Covered payroll	\$ 915,549	\$ 942,765
Contributions as a percentage of covered payroll	20.15 %	14.58 %
BARGAINING UNIT 6 PLAN		
Actuarially determined contribution	\$ 743,757	\$ 671,262
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)
Contribution deficiency	<u>\$ 240,121</u>	<u>\$ 226,201</u>
Covered payroll	\$ 2,805,093	\$ 2,819,233
Contributions as a percentage of covered payroll	17.95 %	15.79 %
BARGAINING UNIT 9 PLAN²		
Actuarially determined contribution	\$ 207,027	\$ 191,109
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)
Contribution deficiency	<u>\$ 81,556</u>	<u>\$ 88,138</u>
Covered payroll	\$ 1,444,410	\$ 1,502,529
Contributions as a percentage of covered payroll	8.69 %	6.85 %

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

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

³ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

2020³

\$	1,543,231
	(1,077,554)
\$	465,677

\$	7,701,525
	13.99 %

\$	229,183
	(139,230)
\$	89,953

\$	958,694
	14.52 %

\$	676,241
	(477,342)
\$	198,899

\$	2,989,457
	15.97 %

\$	194,353
	(131,031)
\$	63,322

\$	1,596,949
	8.21 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2018</u>	<u>2019³</u>
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 12 PLAN²		
Actuarially determined contribution	\$ 217,883	\$ 197,202
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)
Contribution deficiency	<u>\$ 98,515</u>	<u>\$ 59,444</u>
Covered payroll	\$ 663,143	\$ 723,870
Contributions as a percentage of covered payroll	18.00 %	19.03 %
OTHER FUNDED PLANS²		
Actuarially determined contribution	\$ 109,630	\$ 608,960
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)
Contribution deficiency	<u>\$ 48,566</u>	<u>\$ 242,910</u>
Covered payroll	\$ 900,567	\$ 3,595,234
Contributions as a percentage of covered payroll	6.78 %	10.18 %
UNFUNDED PLAN²		
Actuarially determined contribution	\$ 3,199,223	\$ 2,552,923
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)
Contribution deficiency	<u>\$ 1,651,234</u>	<u>\$ 1,059,900</u>
Covered payroll	\$ 13,241,681	\$ 11,391,811
Contributions as a percentage of covered payroll	11.69 %	13.11 %

2020³

\$ 198,316
(153,368)
\$ 44,948

\$ 748,801
20.48 %

\$ 707,352
(492,373)
\$ 214,979

\$ 4,363,200
11.28 %

\$ 977,820
(512,702)
\$ 465,118

\$ 3,536,386
14.50 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

(amounts in thousands)

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

Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2019.
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, 2019 Actuarial Valuation Report
Inflation	2.25%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years. Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years. Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter.
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board. Post-retirement mortality rates include 15 years of projected on-going mortality improvements using the Society of Actuaries 90% Scale MP 2016.

(concluded)

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state bridges, roadways, and high-speed rail). Under the modified approach, the State does not report depreciation expense for infrastructure assets but capitalizes all costs that add to the capacity and efficiency of state-owned bridges, roads, and the high-speed rail system. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2020, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$79.6 billion; land purchased for highway projects totaling \$14.8 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 \$3.5 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, 2020, there were no donations of infrastructure land, and relinquishments were \$50 million of state highway infrastructure (completed highway projects) and \$10 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation (FAST) Act required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection* and the *Caltrans Bridge Element Inspection Manual*.

The State's established condition baseline for fiscal year 2019-20 is to have at least 90% of the State's bridge deck area in fair or better condition.

The following table shows the State’s established condition baseline and actual statewide bridge condition for the last three fiscal years:

Fiscal Year Ended June 30	Established Condition¹	Actual Condition
2018	90.0% Fair or Better	95.3% Fair or Better
2019	90.0% Fair or Better	95.4% Fair or Better
2020	90.0% Fair or Better	95.7% Fair or Better

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

The following table provides details on the State’s actual bridge condition as of June 30, 2020:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	7,468	132,533,858	51.09 %
Fair	5,402	115,766,558	44.63
Poor	440	11,109,895	4.28
Total	13,310	259,410,311	100.00 %

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway’s pavement condition by the following descriptions:

- Excellent/good condition – few potholes or cracks
- Fair condition – moderate number of potholes or cracks
- Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered “distressed lane miles” if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State’s established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date²	Established Condition Baseline Distressed Lane Miles (maximum)³	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
December 2018 ¹	18,000	8,975	17.8 %
August 2019 ³	18,000	6,166	12.3
September 2020 ¹	18,000	5,890	11.9

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

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

³ Condition assessment for the State’s established condition baseline and actual distressed lane miles is being reported in the *Automated Pavement Condition Survey* report as of the end of 2020.

The following table provides details on the State’s actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	35,139	—
Fair	8,643	—
Poor	5,890	5,890
Total	49,672	5,890

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
2016	\$ 150	\$ 150
2017	200	200
2018	268	266
2019	271	244
2020	212	171

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

2. Roadways

The following table shows the State's budgeted and actual preservation cost information for the State's roadways for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2016	\$ 4,550	\$ 3,765
2017	3,949	3,805
2018	4,065	3,803
2019	4,959	3,795
2020	5,246	2,440

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

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2020

(amounts in thousands)

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ 15,304,879	\$ 13,870,000	\$ 10,195,787	\$ (3,674,213)
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	59,923	58,000	59,755	1,755
Insurance gross premiums tax	3,022,936	3,052,000	3,134,591	82,591
Vehicle license fees	34,989	34,989	33,995	(994)
Motor vehicle fuel tax	—	—	—	—
Personal income tax	101,681,968	94,773,000	82,426,860	(12,346,140)
Retail sales and use taxes	27,185,012	24,941,000	25,507,779	566,779
Other major taxes and licenses	383,305	385,000	383,758	(1,242)
Other revenues	2,725,535	3,721,011	2,466,744	(1,254,267)
Total revenues	150,398,547	140,835,000	124,209,269	(16,625,731)
EXPENDITURES				
Business, consumer services, and housing	674,527	1,237,599	1,233,101	(4,498)
Transportation	15,794	57,009	34,909	(22,100)
Natural resources and environmental protection	2,482,498	3,185,266	2,540,747	(644,519)
Health and human services	40,021,842	42,497,652	41,143,380	(1,354,272)
Corrections and rehabilitation	12,578,650	13,317,511	13,190,294	(127,217)
Education	73,129,193	73,970,466	73,448,096	(522,370)
General government:				
Tax relief	405,565	413,706	404,270	(9,436)
Debt service	4,815,670	5,238,504	4,815,670	(422,834)
Other general government	6,615,547	8,736,298	7,851,592	(884,706)
Total expenditures	140,739,286	148,654,011	144,662,059	(3,991,952)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	1,590,985	—
Transfers to other funds	—	—	(8,044,700)	—
Other additions (deductions)	—	—	(857,178)	—
Total other financing sources (uses)	—	—	(7,310,893)	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(27,763,683)	—
Fund balances – beginning	—	—	10,205,786	—
Fund balances – ending	\$ —	\$ —	\$ (17,557,897)	\$ —

Federal				Transportation			
Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
93,454,934	93,454,934	93,454,934	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	8,452,789	7,804,021	7,604,608	(199,413)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	6,609,702	6,656,515	6,769,100	112,585
104	104	104	—	495,748	607,376	573,229	(34,147)
93,455,038	93,455,038	93,455,038	—	15,558,239	15,067,912	14,946,937	(120,975)
141,503	141,503	141,503	—	119,597	124,750	124,027	(723)
4,701,506	4,701,506	4,701,506	—	15,783,323	14,397,667	13,395,323	(1,002,344)
482,359	482,359	482,359	—	189,344	196,080	177,598	(18,482)
75,327,055	75,327,055	75,327,055	—	3,017	3,135	2,620	(515)
72,787	72,787	72,787	—	—	—	—	—
8,060,559	8,060,559	8,060,559	—	9,876	9,876	9,376	(500)
—	—	—	—	—	—	—	—
—	—	—	—	7,248	6,965	6,520	(445)
3,312,277	3,312,277	3,312,277	—	330,982	332,692	323,407	(9,285)
92,098,046	92,098,046	92,098,046	—	16,443,387	15,071,165	14,038,871	(1,032,294)
—	—	43,163,015	—	—	—	20,772,326	—
—	—	(44,520,574)	—	—	—	(20,240,113)	—
—	—	488	—	—	—	94,022	—
—	—	(1,357,071)	—	—	—	626,235	—
—	—	(79)	—	—	—	1,534,301	—
—	—	693	—	—	—	7,223,243	—
\$ —	\$ —	\$ 614	\$ —	\$ —	\$ —	\$ 8,757,544	\$ —

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2020

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	185,195	185,195	185,195	—
Other revenues	5,930,595	5,930,595	5,930,595	—
Total revenues	6,115,790	6,115,790	6,115,790	—
EXPENDITURES				
Business, consumer services, and housing	192,530	192,954	186,522	(6,432)
Transportation	875,988	876,020	875,700	(320)
Natural resources and environmental protection	7,441,094	7,394,569	6,173,749	(1,220,820)
Health and human services	94,577	95,725	80,601	(15,124)
Corrections and rehabilitation	—	—	—	—
Education	2,815	2,816	2,814	(2)
General government:				
Tax relief	—	—	—	—
Debt service	2,300	2,300	2,300	—
Other general government	258,822	251,728	227,484	(24,244)
Total expenditures	8,868,126	8,816,112	7,549,170	(1,266,942)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	780,389	—
Transfers to other funds	—	—	(463,873)	—
Other additions (deductions)	—	—	1,472,052	—
Total other financing sources (uses)	—	—	1,788,568	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	355,188	—
Fund balances – beginning	—	—	13,737,140	—
Fund balances – ending	\$ —	\$ —	\$ 14,092,328	\$ —

Health Care Related Programs			
Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
350,402	350,402	350,402	—
7,278,225	7,278,225	7,278,225	—
7,628,627	7,628,627	7,628,627	—
—	—	—	—
—	—	—	—
214	241	214	(27)
7,296,455	7,363,140	7,343,434	(19,706)
—	—	—	—
152,998	152,998	152,998	—
—	—	—	—
127	127	127	—
(23,982)	(23,981)	(23,982)	(1)
7,425,812	7,492,525	7,472,791	(19,734)
—	—	6,551	—
—	—	(991)	—
—	—	616,408	—
—	—	621,968	—
—	—	777,804	—
—	—	2,109,549	—
\$ —	\$ —	\$ 2,887,353	\$ —

(concluded)

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

June 30, 2020

(amounts in thousands)

	Major Special Revenue Funds				
	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs
Budgetary fund balance reclassified into GAAP statement fund structure	\$ (17,557,897)	\$ 614	\$ 8,757,544	\$ 14,092,328	\$ 2,887,353
Basis difference:					
Interfund receivables	2,114,323	—	11,448	—	—
Loans receivable	31,197	235,780	—	324,058	23,000
Interfund payables	(2,582,938)	—	(985,375)	(361,093)	(4,230)
Escheat property	(987,288)	—	—	—	—
Tax revenues	26,751,626	—	—	—	—
Fund classification changes	18,267,233	8,802,510	—	—	—
Other	3,093,459	—	2,063,397	(57,148)	—
Timing difference:					
Liabilities budgeted in subsequent years	(628,115)	(11,215,229)	(569,583)	(3,254)	(1,208,161)
GAAP fund balance – ending	\$ 28,501,600	\$ (2,176,325)	\$ 9,277,431	\$ 13,994,891	\$ 1,697,962

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State’s budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs’ expenditures on a budgetary basis, adjustments for encumbrances are made under “other general government,” except for Environmental and Natural Resources where adjustments for encumbrances are made under each program’s expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance

with Government Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of \$2.1 billion in the General Fund and \$11 million in the Transportation Fund. The adjustments related to loans receivable caused increases of \$31 million in the General Fund, \$236 million in the Federal Fund, \$324 million in the Environmental and Natural Resources Fund, and \$23 million in the Health Care Related Programs Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of \$2.6 billion in the General Fund, \$985 million in the Transportation Fund, \$361 million in the Environmental and Natural Resources Fund, and \$4 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 \$987 million decrease in the General Fund.

Tax Revenues: Adjustments related to tax revenues caused an increase of \$26.8 billion in the General Fund (GAAP fund balance). Of this amount, \$22.2 billion pertains to amounts that would normally have been accrued on a budgetary basis but were omitted, therefore affecting the ending budgetary fund balance. This amount will be restated in the state's 2020-21 budgetary basis financial statements. Additionally, the budgetary fund balance reflects estimated tax revenues, whereas actual tax revenues were accrued on a GAAP basis. Finally, 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.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of \$18.3 billion in the General Fund and \$8.8 billion in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused an increase of \$3.1 billion in the General Fund, an increase of \$2.1 billion in the Transportation Fund, and a decrease of \$57 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of \$11.2 billion in the Federal Fund, \$1.2 billion in the Health Care Related Programs Fund, \$628 million in the General Fund, \$570 million in the Transportation Fund, and \$3 million in the Environmental and Natural Resources Fund. The large decrease in the Federal Fund consists of \$8.8 billion for coronavirus relief and \$2.4 billion for unemployment programs. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds



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Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

(continued)

(continued)

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

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

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

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

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

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

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
ASSETS			
Cash and pooled investments	\$ 1,251,480	\$ 1,895,875	\$ 1,717,078
Investments	—	—	—
Receivables (net)	134,589	7,228	635,328
Due from other funds	349,438	595,573	1,463
Due from other governments	10,055	841	240
Interfund receivables	—	105,950	45,988
Loans receivable	157,702	2,898,555	27,195
Other assets	—	—	—
Total assets	\$ 1,903,264	\$ 5,504,022	\$ 2,427,292
LIABILITIES			
Accounts payable	\$ 112,540	\$ 127,496	\$ 48,114
Due to other funds	126,979	15,781	102,465
Due to component units	—	295	18,795
Due to other governments	6,411	432,743	120,267
Interfund payables	12,581	—	—
Revenues received in advance	49,702	1,075	—
Deposits	—	—	—
Other liabilities	36,910	229	1
Total liabilities	345,123	577,619	289,642
DEFERRED INFLOWS OF RESOURCES	—	—	315,010
Total liabilities and deferred inflows of resources	345,123	577,619	604,652
FUND BALANCES			
Nonspendable	—	—	—
Restricted	891,627	4,684,657	1,822,640
Committed	666,514	241,746	—
Assigned	—	—	—
Total fund balances	1,558,141	4,926,403	1,822,640
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,903,264	\$ 5,504,022	\$ 2,427,292

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ 2,393,707	\$ 997,293	\$ 414,937	\$ 2,520,699	\$ 11,191,069
—	326,034	126,408	—	452,442
482,264	198,551	199,967	373,464	2,031,391
126,309	185,601	—	730,185	1,988,569
—	44,383	—	37,747	93,266
40,337	71,283	—	253,491	517,049
21,889	40,204	—	213,312	3,358,857
—	17,048	—	—	17,048
\$ 3,064,506	\$ 1,880,397	\$ 741,312	\$ 4,128,898	\$ 19,649,691
\$ 1	\$ 194,570	\$ 1	\$ 384,067	\$ 866,789
48,482	46,501	—	44,372	384,580
—	—	—	8,842	27,932
2,941,987	86,212	—	333,226	3,920,846
—	—	—	13,071	25,652
—	52,660	—	92,651	196,088
—	415,650	—	34,799	450,449
—	92,376	—	16,750	146,266
2,990,470	887,969	1	927,778	6,018,602
—	—	—	174,840	489,850
2,990,470	887,969	1	1,102,618	6,508,452
—	13,702	—	—	13,702
12,712	877,968	741,311	2,689,458	11,720,373
61,324	50,890	—	336,822	1,357,296
—	49,868	—	—	49,868
74,036	992,428	741,311	3,026,280	13,141,239
\$ 3,064,506	\$ 1,880,397	\$ 741,312	\$ 4,128,898	\$ 19,649,691

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2020

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	\$ 54,091	\$ 95,512	\$ 149,603
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	162	345,780	345,942
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	\$ 54,253	\$ 441,292	\$ 495,545
LIABILITIES			
Accounts payable	\$ 1	\$ —	\$ 1
Due to other funds	52	441,292	441,344
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	53	441,292	441,345
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	53	441,292	441,345
FUND BALANCES			
Nonspendable	—	—	—
Restricted	54,200	—	54,200
Committed	—	—	—
Assigned	—	—	—
Total fund balances	54,200	—	54,200
Total liabilities, deferred inflows of resources, and fund balances	\$ 54,253	\$ 441,292	\$ 495,545

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ 219,620	\$ 14,834	\$ 891,818	\$ 17,357	\$ 219,573	\$ 1,363,202	\$ 12,703,874
—	—	—	—	—	—	452,442
—	1	—	—	13	14	2,031,405
718	79	2,590	19,981	7,957	31,325	2,365,836
235	—	2,508	—	—	2,743	96,009
—	—	—	—	4,770	4,770	521,819
—	—	—	—	87,071	87,071	3,445,928
—	—	—	—	—	—	17,048
\$ 220,573	\$ 14,914	\$ 896,916	\$ 37,338	\$ 319,384	\$ 1,489,125	\$ 21,634,361
\$ 1	\$ 100	\$ 215	\$ —	\$ 1,220	\$ 1,536	\$ 868,326
918	—	6,737	—	4,892	12,547	838,471
—	—	—	—	—	—	27,932
12,524	—	—	—	15	12,539	3,933,385
—	—	—	—	—	—	25,652
—	—	—	—	—	—	196,088
—	—	—	—	—	—	450,449
—	—	—	250	—	250	146,516
13,443	100	6,952	250	6,127	26,872	6,486,819
—	—	—	—	—	—	489,850
13,443	100	6,952	250	6,127	26,872	6,976,669
—	—	—	—	—	—	13,702
207,130	14,814	889,964	37,088	238,449	1,387,445	13,162,018
—	—	—	—	74,808	74,808	1,432,104
—	—	—	—	—	—	49,868
207,130	14,814	889,964	37,088	313,257	1,462,253	14,657,692
\$ 220,573	\$ 14,914	\$ 896,916	\$ 37,338	\$ 319,384	\$ 1,489,125	\$ 21,634,361

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
REVENUES			
Personal income taxes.....	\$ —	\$ 1,478,947	\$ —
Sales and use taxes.....	—	—	—
Motor vehicle excise taxes.....	67,398	50,768	—
Other taxes.....	1,291	633,751	2,411,480
Intergovernmental.....	—	—	—
Licenses and permits.....	664,711	16,187	211
Charges for services.....	56,241	2,608	—
Fees.....	1,402,991	366,225	14
Penalties.....	16,097	2	—
Investment and interest.....	70,781	19,514	8,767
Escheat.....	—	—	—
Other.....	11,921	71,580	184
Total revenues	2,291,431	2,639,582	2,420,656
EXPENDITURES			
Current:			
General government.....	943,978	674,570	50,654
Education.....	25,328	5,820	110,681
Health and human services.....	552,816	1,850,176	1,945,581
Natural resources and environmental protection.....	61,367	90,364	32,982
Business, consumer services, and housing.....	689,951	617,940	15,590
Transportation.....	8,793	130	2,871
Corrections and rehabilitation.....	—	113,308	179
Capital outlay.....	—	—	—
Debt service:			
Bond and commercial paper retirement.....	—	199,295	—
Interest and fiscal charges.....	2,681	4,188	73
Total expenditures	2,284,914	3,555,791	2,158,611
Excess (deficiency) of revenues over (under) expenditures.....	6,517	(916,209)	262,045
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued.....	—	279,300	—
Revenue bonds issued.....	—	493,700	—
Refunding debt issued.....	—	19,770	—
Premium on bonds issued.....	—	16,593	—
Transfers in.....	71,476	850,201	287
Transfers out.....	(8,731)	(85,722)	(71,644)
Total other financing sources (uses)	62,745	1,573,842	(71,357)
Net change in fund balances.....	69,262	657,633	190,688
Fund balances – beginning	1,488,879	4,268,770 *	1,631,952
Fund balances – ending	\$ 1,558,141	\$ 4,926,403	\$ 1,822,640

* Restated

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ 1,478,947
14,317,229	—	—	—	14,317,229
—	—	—	—	118,166
—	—	—	—	3,046,522
—	824,833	—	—	824,833
2,944,924	—	—	10,190	3,636,223
—	65,594	—	210,758	335,201
—	500,103	—	1,423,644	3,692,977
—	319,563	—	245,577	581,239
10,085	29,761	11,383	54,391	204,682
—	1,326	—	—	1,326
—	168,469	411,986	679,981	1,344,121
17,272,238	1,909,649	423,369	2,624,541	29,581,466
4,881,734	3,684,891	530	1,475,251	11,711,608
—	—	—	12,497	154,326
10,796,973	—	—	884,237	16,029,783
—	—	—	52,554	237,267
—	—	—	32,508	1,355,989
—	—	—	1,979	13,773
1,553,360	—	—	18	1,666,865
—	—	—	—	—
—	—	154,190	—	353,485
1	58	265,519	1,360	273,880
17,232,068	3,684,949	420,239	2,460,404	31,796,976
40,170	(1,775,300)	3,130	164,137	(2,215,510)
—	—	—	—	279,300
—	—	—	—	493,700
—	—	—	—	19,770
—	—	—	—	16,593
1	1,714,240	—	405,844	3,042,049
—	(359)	—	(43,518)	(209,974)
1	1,713,881	—	362,326	3,641,438
40,171	(61,419)	3,130	526,463	1,425,928
33,865	1,053,847	738,181	2,499,817	11,715,311
\$ 74,036	\$ 992,428	\$ 741,311	\$ 3,026,280	\$ 13,141,239

(continued)

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

Nonmajor Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	Debt Service		Total Nonmajor Debt Service
	No Place Like Home Debt Service	Transportation Debt Service	
REVENUES			
Personal income taxes.....	\$ —	\$ —	\$ —
Sales and use taxes.....	—	—	—
Motor vehicle excise taxes.....	—	—	—
Other taxes.....	—	—	—
Intergovernmental.....	—	—	—
Licenses and permits.....	—	—	—
Charges for services.....	—	—	—
Fees.....	—	—	—
Penalties.....	—	—	—
Investment and interest.....	321	—	321
Escheat.....	—	—	—
Other.....	—	—	—
Total revenues	321	—	321
EXPENDITURES			
Current:			
General government.....	53	—	53
Education.....	—	—	—
Health and human services.....	—	—	—
Natural resources and environmental protection.....	—	—	—
Business, consumer services, and housing.....	—	—	—
Transportation.....	—	—	—
Corrections and rehabilitation.....	—	—	—
Capital outlay.....	—	—	—
Debt service:			
Bond and commercial paper retirement.....	—	814,317	814,317
Interest and fiscal charges.....	6,300	791,930	798,230
Total expenditures	6,353	1,606,247	1,612,600
Excess (deficiency) of revenues over (under) expenditures.....	(6,032)	(1,606,247)	(1,612,279)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued.....	—	—	—
Revenue bonds issued.....	6,300	—	6,300
Refunding debt issued.....	—	—	—
Premium on bonds issued.....	—	—	—
Transfers in.....	53,932	1,606,247	1,660,179
Transfers out.....	—	—	—
Total other financing sources (uses)	60,232	1,606,247	1,666,479
Net change in fund balances.....	54,200	—	54,200
Fund balances – beginning	—	—	—
Fund balances – ending	\$ 54,200	\$ —	\$ 54,200

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,478,947
—	—	—	—	—	—	14,317,229
—	—	—	—	—	—	118,166
—	—	—	—	—	—	3,046,522
—	—	—	—	—	—	824,833
—	—	—	—	710	710	3,636,933
—	—	—	—	413	413	335,614
—	—	—	—	—	—	3,692,977
—	—	—	—	—	—	581,239
2,663	554	11,529	—	646	15,392	220,395
—	—	—	—	—	—	1,326
—	—	—	—	5,544	5,544	1,349,665
2,663	554	11,529	—	7,313	22,059	29,603,846
—	178,694	—	—	—	178,694	11,890,355
—	—	858,947	—	—	858,947	1,013,273
—	—	—	—	—	—	16,029,783
—	—	—	—	2,525	2,525	239,792
—	—	—	—	—	—	1,355,989
—	—	—	—	—	—	13,773
—	—	—	—	—	—	1,666,865
62,248	752	10,872	—	52,521	126,393	126,393
266,300	451,980	1,639,190	33,215	33,110	2,423,795	3,591,597
4,163	5,629	18,049	4,383	277	32,501	1,104,611
332,711	637,055	2,527,058	37,598	88,433	3,622,855	37,032,431
(330,048)	(636,501)	(2,515,529)	(37,598)	(81,120)	(3,600,796)	(7,428,585)
132,565	176,345	1,967,530	—	61,995	2,338,435	2,617,735
—	—	—	—	—	—	500,000
214,125	273,320	899,495	—	7,960	1,394,900	1,414,670
46,328	81,414	286,280	—	1,790	415,812	432,405
192	63	540	35,546	75,919	112,260	4,814,488
—	—	(974)	—	—	(974)	(210,948)
393,210	531,142	3,152,871	35,546	147,664	4,260,433	9,568,350
63,162	(105,359)	637,342	(2,052)	66,544	659,637	2,139,765
143,968	120,173	252,622	39,140	246,713	802,616	12,517,927
\$ 207,130	\$ 14,814	\$ 889,964	\$ 37,088	\$ 313,257	\$ 1,462,253	\$ 14,657,692

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds¹

Year Ended June 30, 2020

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	\$ 358,319	\$ 358,319	\$ —
Vehicle license fees	2,218,399	2,218,399	—
Personal income tax	1,478,947	1,478,947	—
Retail sales and use taxes	14,317,620	14,317,620	—
Other major taxes and licenses	16,831	16,831	—
Other revenues	7,846,966	7,846,966	—
Total revenues	26,237,082	26,237,082	—
EXPENDITURES			
Business, consumer services, and housing	1,437,459	1,272,935	(164,524)
Transportation	1,622,056	1,621,378	(678)
Natural resources and environmental protection	375,546	311,424	(64,122)
Health and human services	19,343,274	18,814,868	(528,406)
Corrections and rehabilitation	813	793	(20)
Education	1,759,082	1,668,973	(90,109)
General government:			
Tax relief	4,061	4,061	—
Other general government	7,439,096	7,081,274	(357,822)
Total expenditures	31,981,387	30,775,706	(1,205,681)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	32,712,701	—
Transfers to other funds	—	(28,124,864)	—
Other additions	—	2,233,917	—
Total other financing sources (uses)	—	6,821,754	—
Excess of revenues and other sources over expenditures and other uses	—	2,283,130	—
Fund balances – beginning, restated	—	8,068,849	—
Fund balances – ending	\$ —	\$ 10,351,979	\$ —

¹On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, Health Care Related Programs Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, Environmental and Natural Resources Fund, and Health Care Related Programs Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Annual Comprehensive Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the Department of Technology.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 701,129
Restricted assets:		
Cash and pooled investments	930,291	—
Net investment in direct financing leases	517,067	—
Receivables (net)	—	1
Due from other funds	259,915	141,562
Due from other governments	—	—
Prepaid items	—	45,490
Inventories	—	—
Total current assets	<u>1,707,273</u>	<u>888,182</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	143,195	—
Net investment in direct financing leases	7,729,792	—
Interfund receivables	—	—
Loans receivable	—	—
Long-term prepaid charges	380	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	271
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(271)
Construction/development in progress	1,479,167	—
Total noncurrent assets	<u>9,352,534</u>	<u>—</u>
Total assets	<u>11,059,807</u>	<u>888,182</u>
DEFERRED OUTFLOWS OF RESOURCES	145,464	14,374
Total assets and deferred outflows of resources	<u>\$ 11,205,271</u>	<u>\$ 902,556</u>

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 170,154	\$ 324,284	\$ 12,480	\$ 47,682	\$ 47,928	\$ 211,694	\$ 1,515,351
—	—	—	—	—	—	930,291
—	—	—	—	—	—	517,067
6,279	1,975	—	9,678	1,278	93,391	112,602
96,621	1,476	—	56,367	142,260	182,999	881,200
1,076	100	—	1,976	—	22,506	25,658
119,942	1,777	4,491	803	6,137	1,700	180,340
2,288	51,940	—	—	1,457	18,501	74,186
<u>396,360</u>	<u>381,552</u>	<u>16,971</u>	<u>116,506</u>	<u>199,060</u>	<u>530,791</u>	<u>4,236,695</u>
—	—	—	—	—	—	143,195
—	—	—	—	—	—	7,729,792
—	—	—	—	—	42,940	42,940
—	—	—	3,224	—	16,883	20,107
—	—	—	—	—	—	380
—	—	—	—	—	2,080	2,080
181,743	228,938	2,977	150,471	41,094	83,262	688,756
13,213	4,554	2,764	7,511	5,352	1,882	35,276
(123,654)	(150,753)	(4,425)	(109,190)	(39,860)	(75,986)	(504,139)
—	2,870	344,743	—	—	645	1,827,425
<u>71,302</u>	<u>85,609</u>	<u>346,059</u>	<u>52,016</u>	<u>6,586</u>	<u>71,706</u>	<u>9,985,812</u>
<u>467,662</u>	<u>467,161</u>	<u>363,030</u>	<u>168,522</u>	<u>205,646</u>	<u>602,497</u>	<u>14,222,507</u>
148,797	73,533	—	64,612	—	157,254	604,034
<u>\$ 616,459</u>	<u>\$ 540,694</u>	<u>\$ 363,030</u>	<u>\$ 233,134</u>	<u>\$ 205,646</u>	<u>\$ 759,751</u>	<u>\$ 14,826,541</u>

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 34,539	\$ 6,918
Due to other funds	127,968	17,415
Due to other governments	9,460	29
Revenues received in advance	—	858,685
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	93,327	—
Current portion of long-term obligations	579,723	—
Other liabilities	13,194	926
Total current liabilities	858,211	883,973
Noncurrent liabilities:		
Interfund payables	1,865,048	3,838
Compensated absences payable	—	8,281
Workers' compensation benefits payable	—	180
Revenue bonds payable	8,311,261	—
Net other postemployment benefits liability	—	57,387
Net pension liability	—	50,950
Other noncurrent liabilities	—	—
Total noncurrent liabilities	10,176,309	120,636
Total liabilities	11,034,520	1,004,609
DEFERRED INFLOWS OF RESOURCES	6,755	10,307
Total liabilities and deferred inflows of resources	11,041,275	1,014,916
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	163,996	—
Total expendable	163,996	—
Unrestricted	—	(112,360)
Total net position (deficit)	163,996	(112,360)
Total liabilities, deferred inflows of resources, and net position	\$ 11,205,271	\$ 902,556

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 559	\$ 15,173	\$ 86	\$ 17,197	\$ 34,265	\$ 289,739	\$ 398,476
67,040	7,001	2,756	2,937	1,555	92,954	319,626
2,720	—	—	—	3	2,095	14,307
75,542	6,040	—	—	701	84,986	1,025,954
2,339	—	—	—	—	—	2,339
5,917	—	—	9,982	5,651	—	21,550
—	—	—	—	—	—	93,327
—	3,499	—	—	—	2,107	585,329
636	420	—	—	20	38	15,234
<u>154,753</u>	<u>32,133</u>	<u>2,842</u>	<u>30,116</u>	<u>42,195</u>	<u>471,919</u>	<u>2,476,142</u>
60,708	4,555	37,650	13,827	162,702	2,473	2,150,801
57,030	12,933	—	32,935	—	42,241	153,420
27,736	18,064	—	21	—	1,761	47,762
—	—	—	—	—	—	8,311,261
831,472	299,482	—	312,125	—	594,534	2,095,000
440,672	72,582	—	206,036	—	528,710	1,298,950
—	—	—	14,816	9,538	—	24,354
<u>1,417,618</u>	<u>407,616</u>	<u>37,650</u>	<u>579,760</u>	<u>172,240</u>	<u>1,169,719</u>	<u>14,081,548</u>
<u>1,572,371</u>	<u>439,749</u>	<u>40,492</u>	<u>609,876</u>	<u>214,435</u>	<u>1,641,638</u>	<u>16,557,690</u>
139,959	50,542	—	56,403	—	101,110	365,076
<u>1,712,330</u>	<u>490,291</u>	<u>40,492</u>	<u>666,279</u>	<u>214,435</u>	<u>1,742,748</u>	<u>16,922,766</u>
71,302	85,609	346,058	24,510	—	11,883	539,362
—	—	—	—	—	—	163,996
—	—	—	—	—	—	163,996
<u>(1,167,173)</u>	<u>(35,206)</u>	<u>(23,520)</u>	<u>(457,655)</u>	<u>(8,789)</u>	<u>(994,880)</u>	<u>(2,799,583)</u>
<u>(1,095,871)</u>	<u>50,403</u>	<u>322,538</u>	<u>(433,145)</u>	<u>(8,789)</u>	<u>(982,997)</u>	<u>(2,096,225)</u>
<u>\$ 616,459</u>	<u>\$ 540,694</u>	<u>\$ 363,030</u>	<u>\$ 233,134</u>	<u>\$ 205,646</u>	<u>\$ 759,751</u>	<u>\$ 14,826,541</u>

(concluded)

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

Internal Service Funds

Year Ended June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	\$ —	\$ 957,552
Investment and interest	24,155	—
Rent	397,252	—
Total operating revenues	421,407	957,552
OPERATING EXPENSES		
Personal services	—	38,386
Supplies	—	—
Services and charges	4,430	917,877
Depreciation	—	—
Interest expense	353,371	—
Amortization of long-term prepaid charges	84	—
Total operating expenses	357,885	956,263
Operating income (loss)	63,522	1,289
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	1,207	—
Interest expense and fiscal charges	—	—
Other	(108,832)	—
Total nonoperating revenues (expenses)	(107,625)	—
Income (loss) before transfers	(44,103)	1,289
Transfers in	—	6,256
Transfers out	—	—
Change in net position	(44,103)	7,545
Total net position (deficit) – beginning	208,099	(119,905)
Total net position (deficit) – ending	\$ 163,996	\$ (112,360)

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 754,445	\$ 427,279	\$ 6,000	\$ 413,630	\$ 614,387	\$ 1,076,278	\$ 4,249,571
—	—	—	—	—	—	24,155
—	—	—	—	—	—	397,252
754,445	427,279	6,000	413,630	614,387	1,076,278	4,670,978
278,113	126,818	—	119,223	—	350,904	913,444
—	4,270	—	—	27,547	—	31,817
390,129	202,632	4,045	249,089	588,483	756,977	3,113,662
19,093	10,887	429	17,522	3,807	1,459	53,197
—	—	—	450	—	—	353,821
—	—	—	—	—	—	84
687,335	344,607	4,474	386,284	619,837	1,109,340	4,466,025
67,110	82,672	1,526	27,346	(5,450)	(33,062)	204,953
—	396	—	1,453	—	2,130	5,186
(684)	(133)	—	(285)	—	(478)	(1,580)
—	(316)	—	(741)	—	—	(109,889)
(684)	(53)	—	427	—	1,652	(106,283)
66,426	82,619	1,526	27,773	(5,450)	(31,410)	98,670
25,113	—	—	—	—	11,845	43,214
(37,612)	—	—	—	—	(13,278)	(50,890)
53,927	82,619	1,526	27,773	(5,450)	(32,843)	90,994
(1,149,798)	(32,216)	321,012	(460,918)	(3,339)	(950,154)	(2,187,219)
\$ (1,095,871)	\$ 50,403	\$ 322,538	\$ (433,145)	\$ (8,789)	\$ (982,997)	\$ (2,096,225)

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 11,889	\$ —
Receipts from interfund services provided	875,367	973,857
Payments to suppliers	(1,210)	(886,855)
Payments to employees	—	(37,763)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(409,675)	(636)
Net cash provided by (used in) operating activities	476,371	48,603
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	981,771	(6,950)
Interest paid	—	—
Transfers in	—	6,256
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	981,771	(694)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,073,916)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	599,379	—
Retirement of revenue bonds	(635,985)	—
Interest paid	—	—
Net cash used in capital and related financing activities	(1,110,522)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	1,207	—
Net cash provided by (used in) investing activities	1,207	—
Net increase (decrease) in cash and pooled investments	348,827	47,909
Cash and pooled investments – beginning	724,659	653,220
Cash and pooled investments – ending	\$ 1,073,486	\$ 701,129

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,889
—	432,358	—	413,545	561,571	995,349	4,252,047
673,565	(203,366)	—	(272,907)	(17,490)	(717,021)	(1,425,284)
(405,146)	(113,212)	—	(128,821)	—	(354,923)	(1,039,865)
(283,731)	(18,501)	(1,198)	—	—	(91,533)	(394,963)
—	—	—	—	(588,483)	—	(588,483)
4,712	(189)	—	(16,129)	5,550	(9,874)	(426,241)
(10,600)	97,090	(1,198)	(4,312)	(38,852)	(178,002)	389,100
—	—	—	975	—	(63,954)	(62,979)
(175)	(874)	—	(939)	67,910	(15,078)	1,025,665
(684)	(57)	—	—	—	(392)	(1,133)
25,113	—	—	—	—	12,018	43,387
(37,612)	—	—	—	—	(13,451)	(51,063)
(13,358)	(931)	—	36	67,910	(80,857)	953,877
(21,605)	(10,530)	(5,456)	(14,847)	(3,849)	(2,450)	(1,132,653)
1,274	506	—	11	—	1,216	3,007
—	—	—	—	—	—	599,379
—	—	—	—	—	—	(635,985)
—	—	—	(285)	—	—	(285)
(20,331)	(10,024)	(5,456)	(15,121)	(3,849)	(1,234)	(1,166,537)
—	493	—	1,453	—	2,130	5,283
—	493	—	1,453	—	2,130	5,283
(44,289)	86,628	(6,654)	(17,944)	25,209	(257,963)	181,723
214,443	237,656	19,134	65,626	22,719	469,657	2,407,114
\$ 170,154	\$ 324,284	\$ 12,480	\$ 47,682	\$ 47,928	\$ 211,694	\$ 2,588,837

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 63,522	\$ 1,289
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(88,945)	—
Amortization of long-term prepaid charges	84	—
Other	14,219	—
Change in account balances:		
Receivables	—	52
Due from other funds	1,453	(49,126)
Due from other governments	—	—
Prepaid items	—	29,990
Inventories	—	—
Net investment in direct financing leases	491,492	—
Deferred outflow of resources	—	(338)
Accounts payable	(275)	1,032
Due to other funds	(486)	8,548
Due to other governments	—	29
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(3,211)	—
Revenues received in advance	—	56,831
Other current liabilities	(1,482)	(665)
Benefits payable	—	—
Compensated absences payable	—	628
Other noncurrent liabilities	—	1,937
Deferred inflow of resources	—	(1,604)
Total adjustments	<u>412,849</u>	<u>47,314</u>
Net cash provided by (used in) operating activities	<u>\$ 476,371</u>	<u>\$ 48,603</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 67,110	\$ 82,672	\$ 1,526	\$ 27,346	\$ (5,450)	\$ (33,062)	\$ 204,953
19,093	10,887	429	17,522	3,807	1,459	53,197
—	—	—	—	—	—	(88,945)
—	—	—	—	—	—	84
—	(189)	—	—	—	(86)	13,944
(4,523)	(207)	5	387	4,742	(17,306)	(16,850)
(55,270)	(305)	515	543	(60,566)	(36,190)	(198,946)
(708)	1	—	(1,596)	—	(9,348)	(11,651)
5,865	(1,007)	36	260	955	352	36,451
3,450	(8,651)	—	—	(398)	1,382	(4,217)
—	—	—	—	—	—	491,492
(25,426)	(40,783)	—	(10,093)	—	(27,315)	(103,955)
(24,332)	1,312	(974)	(24,078)	9,499	38,308	492
8,913	(6,563)	(2,735)	(1,015)	2,874	(104,543)	(95,007)
2,441	—	—	—	(31)	(178)	2,261
1,057	—	—	—	—	—	1,057
1,336	—	—	(4,152)	925	—	(1,891)
—	—	—	—	—	—	(3,211)
(30,000)	5,222	—	—	134	(14,423)	17,764
586	(32)	—	—	—	(348)	(1,941)
—	—	—	—	—	(8)	(8)
(859)	1,531	—	3,673	—	563	5,536
46,463	55,647	—	(2,197)	4,657	49,477	155,984
(25,796)	(2,445)	—	(10,912)	—	(26,736)	(67,493)
<u>(77,710)</u>	<u>14,418</u>	<u>(2,724)</u>	<u>(31,658)</u>	<u>(33,402)</u>	<u>(144,940)</u>	<u>184,147</u>
<u>\$ (10,600)</u>	<u>\$ 97,090</u>	<u>\$ (1,198)</u>	<u>\$ (4,312)</u>	<u>\$ (38,852)</u>	<u>\$ (178,002)</u>	<u>\$ 389,100</u>
						(concluded)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 117,460	\$ 117,460

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Nonmajor Enterprise Funds

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

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

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

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

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ 532,437	\$ 211,341
Restricted assets:		
Cash and pooled investments	341,425	17,981
Due from other governments	156,656	26,183
Receivables (net)	—	6,386
Due from other funds	6,214	12,774
Due from other governments	112,676	98,469
Prepaid items	—	—
Inventories	—	—
Total current assets	<u>1,149,408</u>	<u>373,134</u>
Noncurrent assets:		
Restricted assets:		
Loans receivable	1,872,124	113,910
Investments	—	—
Interfund receivables	4,490	—
Loans receivable	2,725,468	1,593,859
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	—
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	—
Construction/development in progress	—	—
Other noncurrent assets	—	—
Total noncurrent assets	<u>4,602,082</u>	<u>1,707,769</u>
Total assets	<u>5,751,490</u>	<u>2,080,903</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	<u>\$ 5,751,490</u>	<u>\$ 2,080,903</u>

Housing Loan	Other Enterprise Programs	Total
\$ 243,897	\$ 260,779	\$ 1,248,454
—	—	359,406
—	—	182,839
37,844	663	44,893
—	3,270	22,258
—	492	211,637
—	20	20
—	5,000	5,000
<u>281,741</u>	<u>270,224</u>	<u>2,074,507</u>
—	—	1,986,034
20,024	—	20,024
—	4,702	9,192
1,012,090	93,789	5,425,206
443	829	1,272
16,260	9,761	26,021
—	1,761	1,761
(16,259)	(4,980)	(21,239)
—	106	106
6,741	—	6,741
<u>1,039,299</u>	<u>105,968</u>	<u>7,455,118</u>
1,321,040	376,192	9,529,625
<u>3,720</u>	<u>11,503</u>	<u>15,223</u>
\$ 1,324,760	\$ 387,695	\$ 9,544,848

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ —	\$ —
Due to other funds	—	8,064
Due to other governments	—	5
Revenues received in advance	3	—
Interest payable	14,461	997
Current portion of long-term obligations	104,341	7,496
Other current liabilities	—	—
Total current liabilities	118,805	16,562
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,225,508	87,737
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,225,508	87,737
Total liabilities	1,344,313	104,299
DEFERRED INFLOWS OF RESOURCES		
Total liabilities and deferred inflows of resources	1,344,313	104,299
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	341,425	—
Security for revenue bonds	2,028,780	—
Other purposes	—	1,976,604
Total expendable	2,370,205	1,976,604
Unrestricted	2,036,972	—
Total net position	4,407,177	1,976,604
Total liabilities, deferred inflows of resources, and net position	\$ 5,751,490	\$ 2,080,903

Housing Loan	Other Enterprise Programs	Total
\$ 352	\$ 11,295	\$ 11,647
3,566	1,170	12,800
—	176	181
—	30	33
14,850	—	30,308
38,390	11,887	162,114
—	—	—
<u>57,158</u>	<u>24,558</u>	<u>217,083</u>
1,502	21,220	22,722
—	6,611	6,611
—	2,802	2,802
751,127	—	751,127
363,026	—	1,676,271
8,032	28,877	36,909
13,571	25,203	38,774
1,704	9,796	11,500
<u>1,138,962</u>	<u>94,509</u>	<u>2,546,716</u>
1,196,120	119,067	2,763,799
<u>20,515</u>	<u>5,426</u>	<u>25,941</u>
1,216,635	124,493	2,789,740
444	2,799	3,243
—	—	341,425
—	—	2,028,780
107,681	197,369	2,281,654
<u>107,681</u>	<u>197,369</u>	<u>4,651,859</u>
—	63,034	2,100,006
108,125	263,202	6,755,108
<u>\$ 1,324,760</u>	<u>\$ 387,695</u>	<u>\$ 9,544,848</u>

(concluded)

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

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	\$ 6,482	\$ —
Investment and interest	66,601	25,343
Other	—	—
Total operating revenues	73,083	25,343
OPERATING EXPENSES		
Personal services	—	14,141
Supplies	—	—
Services and charges	9,761	—
Depreciation	—	—
Interest expense	—	—
Other	353	9,138
Total operating expenses	10,114	23,279
Operating income (loss)	62,969	2,064
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	132,847	87,990
Investment and interest income	14,027	4,374
Interest expense and fiscal charges	(35,174)	(1,728)
Other	—	—
Total nonoperating revenues (expenses)	111,700	90,636
Income (loss) before capital contributions and transfers	174,669	92,700
Transfers in	—	—
Transfers out	—	—
Change in net position	174,669	92,700
Total net position – beginning	4,232,508	1,883,904
Total net position – ending	\$ 4,407,177	\$ 1,976,604

Housing Loan	Other Enterprise Programs	Total
\$ 1,952	\$ 99,676	\$ 108,110
56,880	1,130	149,954
2,756	1,264	4,020
61,588	102,070	262,084
1,565	33,839	49,545
—	49,189	49,189
13,898	22,255	45,914
—	1,704	1,704
38,193	—	38,193
—	—	9,491
53,656	106,987	194,036
7,932	(4,917)	68,048
—	—	220,837
—	3,804	22,205
—	(36)	(36,938)
402	—	402
402	3,768	206,506
8,334	(1,149)	274,554
—	125	125
—	—	—
8,334	(1,024)	274,679
99,791	264,226	6,480,429
\$ 108,125	\$ 263,202	\$ 6,755,108

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ 60,699	\$ 26,721
Receipts from interfund services provided	488	—
Payments to suppliers	(10,122)	(31,812)
Payments to employees	—	—
Payments for interfund services used	—	—
Other receipts (payments)	(12,585)	(130,086)
Net cash provided by (used in) operating activities	38,480	(135,177)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	(184)	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(77,170)	(3,065)
Interest paid	(59,206)	(3,855)
Transfers in	—	—
Transfers out	—	—
Grants received	132,810	92,800
Net cash provided by (used in) noncapital financing activities	(3,750)	85,880
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Net cash provided by (used in) capital and related financing activities	—	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	—
Proceeds from maturity and sale of investments	—	—
Earnings on investments	16,185	4,938
Net cash provided by (used in) investing activities	16,185	4,938
Net increase (decrease) in cash and pooled investments	50,915	(44,359)
Cash and pooled investments – beginning	822,947	273,681
Cash and pooled investments – ending	\$ 873,862	\$ 229,322

Housing Loan	Other Enterprise Programs	Total
\$ 228,035	\$ 102,364	\$ 417,819
—	1,215	1,703
(12,774)	(65,227)	(119,935)
(1,565)	(28,455)	(30,020)
(1,502)	(2,079)	(3,581)
(217,054)	(14,180)	(373,905)
(4,860)	(6,362)	(107,919)
—	(1,385)	(1,569)
1,502	1,070	2,572
—	—	—
(44,930)	—	(44,930)
—	—	—
(17,980)	—	(98,215)
—	(36)	(63,097)
—	125	125
—	—	—
—	—	225,610
(61,408)	(226)	20,496
—	(59)	(59)
—	—	—
—	(59)	(59)
(2,344)	—	(2,344)
1,902	—	1,902
—	3,804	24,927
(442)	3,804	24,485
(66,710)	(2,843)	(62,997)
310,607	263,622	1,670,857
\$ 243,897	\$ 260,779	\$ 1,607,860

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	<u>State Water Pollution Control Revolving</u>	<u>Safe Drinking Water State Revolving</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 62,969	\$ 2,064
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(14,383)	—
Change in account balances:		
Receivables	—	—
Due from other funds	488	—
Due from other governments	3,521	1,377
Prepaid items	—	—
Inventories	—	—
Other current assets	—	—
Other noncurrent assets	—	—
Loans receivable	(14,107)	(130,086)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	(8)	(8,532)
Due to other governments	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	—
Deferred inflows of resources	—	—
Total adjustments	<u>(24,489)</u>	<u>(137,241)</u>
Net cash provided by (used in) operating activities	<u>\$ 38,480</u>	<u>\$ (135,177)</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

<u>Housing Loan</u>	<u>Other Enterprise Programs</u>	<u>Total</u>
\$ 7,932	\$ (4,917)	\$ 68,048
—	1,704	1,704
192	—	192
(649)	—	(649)
—	—	(14,383)
172	(136)	36
—	51	539
—	137	5,035
—	9	9
—	(1,760)	(1,760)
(5,016)	—	(5,016)
—	—	—
(3,732)	1,684	(146,241)
(3,076)	(1,384)	(4,460)
1,053	3,742	4,795
347	(2,151)	(10,344)
—	(426)	(426)
(651)	—	(651)
—	(17)	(17)
—	566	566
—	5,657	5,657
—	(2,972)	(2,972)
(3,663)	(6,135)	(9,798)
2,231	(14)	2,217
<u>(12,792)</u>	<u>(1,445)</u>	<u>(175,967)</u>
<u>(4,860)</u>	<u>(6,362)</u>	<u>(107,919)</u>
		(concluded)
\$ 1,058	\$ —	\$ 1,058

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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, 2020

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	\$ 4,428	\$ 1	\$ 12,118	\$ 16,547
Investments, at fair value:				
Equity securities	4,672,286	—	—	4,672,286
Debt securities	2,969,038	—	—	2,969,038
Real estate	246,390	—	—	246,390
Other	2,103,711	—	28,161	2,131,872
Total investments	9,991,425	—	28,161	10,019,586
Receivables (net)	1,246	135,542	178	136,966
Due from other funds	—	—	37	37
Other assets	—	196,502	—	196,502
Total assets	9,997,099	332,045	40,494	10,369,638
LIABILITIES				
Accounts payable	5,830	49,834	9,819	65,483
Deposits	—	196,502	—	196,502
Other liabilities	—	2	1,358	1,360
Total liabilities	5,830	246,338	11,177	263,345
NET POSITION				
Held in trust for individuals, organizations, or other governments	\$ 9,991,269	\$ 85,707	\$ 29,317	\$ 10,106,293

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2020

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ —	\$ —	\$ 269	\$ 269
Interest, dividends, and other investment income	394,762	—	223	394,985
Less: investment expense	(3,397)	—	(15)	(3,412)
Net investment income	391,365	—	477	391,842
Receipts from depositors	3,525,654	805,970	35,588	4,367,212
Total additions	3,917,019	805,970	36,065	4,759,054
DEDUCTIONS				
Administrative expenses	—	5,295	43	5,338
Interest expense	—	121	—	121
Payments to and for depositors	3,283,771	800,623	13,888	4,098,282
Total deductions	3,283,771	806,039	13,931	4,103,741
Change in net position	633,248	(69)	22,134	655,313
Net position – beginning	9,358,021	85,776	7,183 *	9,450,980
Net position – ending	\$ 9,991,269	\$ 85,707	\$ 29,317	\$ 10,106,293

* Restated

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

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

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

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

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

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

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

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

(continued)

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The **Defined Benefit Other Postemployment Benefits (OPEB) Plan** provides defined benefit OPEB, other than pensions, to employees after separation from service:

The **Annuitants' Health Care Coverage Fund** is administered by CalPERS as the California Employers' Retiree Benefit Trust Fund (CERBTf), an agent multiple-employer plan for employers to prefund health, dental, and other nonpension postemployment benefits for state and local government annuitants, and to pay related administrative costs.

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Teachers' Health Benefits Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

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

June 30, 2020

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ASSETS			
Cash and pooled investments	\$ 2,814,166	\$ 194,168	\$ 2,281
Investments, at fair value:			
Short-term	25,896,518	11,738,484	45,562
Equity securities	196,036,941	113,421,440	—
Debt securities	102,063,458	41,713,439	—
Real estate	43,008,182	34,827,385	—
Securities lending collateral	1,225,270	24,026,405	—
Other	26,496,420	48,025,249	—
Total investments	394,726,789	273,752,402	45,562
Receivables (net)	2,966,321	4,398,304	1,551
Due from other funds	937,109	—	62
Loans receivable	—	2,493,274	—
Other assets	343,158	385,685	—
Total assets	401,787,543	281,223,833	49,456
DEFERRED OUTFLOWS OF RESOURCES	128,697	77,097	540
Total assets and deferred outflows of resources	401,916,240	281,300,930	49,996
LIABILITIES			
Accounts payable	8,154	4,496,400	221
Due to other governments	—	1	—
Benefits payable	2,180,130	1,615,087	—
Securities lending obligations	1,225,672	24,057,981	—
Loans payable	—	2,497,447	—
Other liabilities	5,949,207	1,533,476	5,590
Total liabilities	9,363,163	34,200,392	5,811
DEFERRED INFLOWS OF RESOURCES	100,536	116,794	458
Total liabilities and deferred inflows of resources	9,463,699	34,317,186	6,269
NET POSITION			
Restricted for pension and other postemployment benefits	392,452,541	246,983,744	43,727
Held in trust for:			
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	\$ 392,452,541	\$ 246,983,744	\$ 43,727

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 9,709	\$ 1,897	\$ 23,899	\$ 14,336	\$ 18,713	\$	3,079,169
84	7	36,784	2,917,988	11,276		40,646,703
1,231,610	42,977	7,971,301	10,180,111	69,484		328,953,864
635,275	71,279	3,668,775	2,267,313	44,204		150,463,743
—	—	—	—	—		77,835,567
—	—	—	—	—		25,251,675
—	—	—	3,349,196	—		77,870,865
1,866,969	114,263	11,676,860	18,714,608	124,964		701,022,417
9,348	54	86,700	40,236	2,356		7,504,870
44	—	49	653	623		938,540
—	—	—	5,671	—		2,498,945
—	—	—	—	—		728,843
1,886,070	116,214	11,787,508	18,775,504	146,656		715,772,784
677	187	1,198	848	168		209,412
1,886,747	116,401	11,788,706	18,776,352	146,824		715,982,196
272	65	863	3,122	6,190		4,515,287
—	—	—	—	—		1
—	582	71,928	618	751		3,869,096
—	—	—	—	—		25,283,653
—	—	—	—	8		2,497,455
5,951	1,589	10,804	13,305	3,393		7,523,315
6,223	2,236	83,595	17,045	10,342		43,688,807
517	117	1,172	1,564	589		221,747
6,740	2,353	84,767	18,609	10,931		43,910,554
1,880,007	114,048	11,703,939	—	124,368		653,302,374
—	—	—	18,757,743	—		18,757,743
—	—	—	—	11,525		11,525
\$ 1,880,007	\$ 114,048	\$ 11,703,939	\$ 18,757,743	\$ 135,893	\$	672,071,642

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, 2020

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer.....	\$ 22,943,561	\$ 6,080,060	\$ 243,131
Plan member.....	4,901,000	3,735,042	2,843
Non-employer.....	—	4,446,836	—
Total contributions.....	27,844,561	14,261,938	245,974
Investment income:			
Net appreciation (depreciation) in fair value of investments.....	12,041,606	5,165,995	—
Interest, dividends, and other investment income.....	7,605,180	5,607,446	891
Less: investment expense.....	(1,034,533)	(670,363)	(6)
Net investment income (loss).....	18,612,253	10,103,078	885
Other.....	13,845	101,423	2,202
Total additions	46,470,659	24,466,439	249,061
DEDUCTIONS			
Distributions to beneficiaries.....	25,781,920	15,921,966	212,775
Refunds of contributions.....	323,180	102,711	458
Administrative expense.....	524,451	225,217	2,270
Interest expense.....	—	94,689	—
Payments to and for depositors.....	—	—	—
Total deductions	26,629,551	16,344,583	215,503
Change in net position.....	19,841,108	8,121,856	33,558
Net position – beginning	372,611,433	238,861,888	10,169
Net position – ending	\$ 392,452,541	\$ 246,983,744	\$ 43,727

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 91,147	\$ 98	\$ 4,634,449	\$ 716	\$ 38,208	\$	34,031,370
35,796	22	—	983,926	45,643		9,704,272
—	—	—	—	—		4,446,836
<u>126,943</u>	<u>120</u>	<u>4,634,449</u>	<u>984,642</u>	<u>83,851</u>		<u>48,182,478</u>
80,569	7,051	406,742	496,921	5,909		18,204,793
474	23	691	26,754	158		13,241,617
(969)	(63)	(4,824)	(675)	(45)		(1,711,478)
<u>80,074</u>	<u>7,011</u>	<u>402,609</u>	<u>523,000</u>	<u>6,022</u>		<u>29,734,932</u>
—	2	9,094	25,225	2,307		154,098
<u>207,017</u>	<u>7,133</u>	<u>5,046,152</u>	<u>1,532,867</u>	<u>92,180</u>		<u>78,071,508</u>
34,547	6,939	3,139,646	66,352	76,360		45,240,505
—	—	—	6,122	—		432,471
2,552	550	5,161	28,756	3,029		791,986
—	—	—	—	—		94,689
—	—	12,711	514,179	6,138		533,028
<u>37,099</u>	<u>7,489</u>	<u>3,157,518</u>	<u>615,409</u>	<u>85,527</u>		<u>47,092,679</u>
169,918	(356)	1,888,634	917,458	6,653		30,978,829
<u>1,710,089</u>	<u>114,404</u>	<u>9,815,305</u>	<u>17,840,285</u>	<u>129,240</u>		<u>641,092,813</u>
<u>\$ 1,880,007</u>	<u>\$ 114,048</u>	<u>\$ 11,703,939</u>	<u>\$ 18,757,743</u>	<u>\$ 135,893</u>	<u>\$</u>	<u>672,071,642</u>

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Agency Funds

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Following are brief descriptions of agency funds.

The **Receipting and Disbursing Fund** accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from many state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The **Deposit Fund** accounts for various deposits, such as those from condemnation and litigation proceedings.

Other agency activity funds account for other assets held by the State, which acts as an agent for individuals, private organizations, and other governments.

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2020

(amounts in thousands)

	Receiving and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	\$ 2,291,070	\$ 1,502,298	\$ 34,461	\$ 3,827,829
Receivables (net)	4,562,287	443,517	1,033	5,006,837
Due from other funds	33,917,840	56,439	1,060	33,975,339
Due from other governments	79,298	19	—	79,317
Interfund receivable	7,345	136,646	1,958	145,949
Loans receivable	4,805	74,024	3,751	82,580
Other assets	—	39,822	—	39,822
Total assets	\$ 40,862,645	\$ 2,252,765	\$ 42,263	\$ 43,157,673
LIABILITIES				
Accounts payable	\$ 27,855,862	\$ 65,011	\$ 4,666	\$ 27,925,539
Due to other governments	12,950,189	20,952	7,201	12,978,342
Tax overpayments	4,298	—	—	4,298
Revenues received in advance	—	679	—	679
Deposits	34,941	1,373,216	15,440	1,423,597
Other liabilities	17,355	792,907	14,956	825,218
Total liabilities	\$ 40,862,645	\$ 2,252,765	\$ 42,263	\$ 43,157,673

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2020

(amounts in thousands)

Receipting and Disbursing Fund

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 3,068,160	\$ 188,609,819	\$ 189,386,909	\$ 2,291,070
Receivables (net)	3,869,318	7,159,499	6,466,530	4,562,287
Due from other funds	27,260,281	45,776,625	39,119,066	33,917,840
Due from other governments	140,365	79,298	140,365	79,298
Prepaid Expenses	—	26,764	26,764	—
Interfund receivable	15,874	7,345	15,874	7,345
Loan receivable	933	4,805	933	4,805
Total assets	\$ 34,354,931	\$ 241,664,155	\$ 235,156,441	\$ 40,862,645
LIABILITIES				
Accounts payable	\$ 21,144,521	\$ 70,804,908	\$ 64,093,567	\$ 27,855,862
Due to other governments	13,155,916	17,141,501	17,347,228	12,950,189
Tax overpayments	7,613	196,347	199,662	4,298
Deposits	31,262	174,364	170,685	34,941
Other liabilities	15,619	30,315	28,579	17,355
Total liabilities	\$ 34,354,931	\$ 88,347,435	\$ 81,839,721	\$ 40,862,645

Deposit Fund

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 1,186,990	\$ 28,429,761	\$ 28,114,453	\$ 1,502,298
Receivables (net)	713,812	2,732,727	3,003,022	443,517
Due from other funds	60,665	177,968	182,194	56,439
Due from other governments	—	19	—	19
Prepaid Expenses	—	3,160	3,160	—
Interfund receivable	181,491	—	44,845	136,646
Loan receivables	10,663	63,361	—	74,024
Other assets	805,929	—	766,107	39,822
Total assets	\$ 2,959,550	\$ 31,406,996	\$ 32,113,781	\$ 2,252,765
LIABILITIES				
Accounts payable	\$ 87,615	\$ 3,711,211	\$ 3,733,815	\$ 65,011
Due to other governments	21,573	8,428	9,049	20,952
Revenues received in advance	679	—	—	679
Deposits	2,066,654	15,750,234	16,443,672	1,373,216
Other liabilities	783,029	9,755,810	9,745,932	792,907
Total liabilities	\$ 2,959,550	\$ 29,225,683	\$ 29,932,468	\$ 2,252,765

Other Agency Activity Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 29,366	\$ 29,704	\$ 24,609	\$ 34,461
Receivables (net)	1,487	1	455	1,033
Due from other funds	1,414	104	458	1,060
Interfund receivable	1,698	260	—	1,958
Loans receivable	3,549	987	785	3,751
Total assets	\$ 37,514	\$ 31,056	\$ 26,307	\$ 42,263
LIABILITIES				
Accounts payable	\$ 3,265	\$ 3,730	\$ 2,329	\$ 4,666
Due to other governments	7,060	12,494	12,353	7,201
Deposits	11,899	5,539	1,998	15,440
Other liabilities	15,290	726	1,060	14,956
Total liabilities	\$ 37,514	\$ 22,489	\$ 17,740	\$ 42,263

Total Agency Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 4,284,516	\$ 217,069,284	\$ 217,525,971	\$ 3,827,829
Receivables (net)	4,584,617	9,892,227	9,470,007	5,006,837
Due from other funds	27,322,360	45,954,697	39,301,718	33,975,339
Due from other governments	140,365	79,317	140,365	79,317
Prepaid Expense	—	29,924	29,924	—
Interfund receivable	199,063	7,605	60,719	145,949
Loans receivable	15,145	69,153	1,718	82,580
Other assets	805,929	—	766,107	39,822
Total assets	\$ 37,351,995	\$ 273,102,207	\$ 267,296,529	\$ 43,157,673
LIABILITIES				
Accounts payable	\$ 21,235,401	\$ 74,519,849	\$ 67,829,711	\$ 27,925,539
Due to other governments	13,184,549	17,162,423	17,368,630	12,978,342
Tax overpayments	7,613	196,347	199,662	4,298
Revenues received in advance	679	—	—	679
Deposits	2,109,815	15,930,137	16,616,355	1,423,597
Other liabilities	813,938	9,786,851	9,775,571	825,218
Total liabilities	\$ 37,351,995	\$ 117,595,607	\$ 111,789,929	\$ 43,157,673

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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, 2019.

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, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	\$ 6,084	\$ 510,781
Investments	—	672,043
Restricted assets:		
Cash and pooled investments	302,486	—
Investments	22,650	—
Receivables (net)	26,091	461,572
Prepaid items	313	—
Other current assets	—	34,061
Total current assets	<u>357,624</u>	<u>1,678,457</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	56,075
Investments	92,970	—
Investments	—	2,224,255
Receivables (net)	—	338,486
Loans receivable	408,551	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	135,503
Collections – nondepreciable	—	12,922
Buildings and other depreciable property	9	1,312,200
Intangible assets – amortizable	—	7,786
Less: accumulated depreciation/amortization	(8)	(675,000)
Construction/development in progress	—	71,398
Intangible assets – nonamortizable	—	6,637
Other noncurrent assets	—	41,642
Total noncurrent assets	<u>501,522</u>	<u>3,531,904</u>
Total assets	<u>859,146</u>	<u>5,210,361</u>
DEFERRED OUTFLOWS OF RESOURCES	5,485	36,209
Total assets and deferred outflows of resources	<u>\$ 864,631</u>	<u>\$ 5,246,570</u>

District Agricultural Associations	Other Component Units	Total
\$ 103,405	\$ 740,941	\$ 1,361,211
—	—	672,043
33,756	64	336,306
3,296	—	25,946
8,995	26,688	523,346
1,842	1,130	3,285
1,900	—	35,961
153,194	768,823	2,958,098
—	—	56,075
3,333	—	96,303
—	81,549	2,305,804
—	2,501	340,987
—	74	408,625
—	126	126
22,246	5,089	162,838
—	421	13,343
786,193	180,675	2,279,077
—	1,087	8,873
(523,818)	(55,361)	(1,254,187)
31,787	20,332	123,517
—	116	6,753
—	11,354	52,996
319,741	247,963	4,601,130
472,935	1,016,786	7,559,228
28,827	36,220	106,741
\$ 501,762	\$ 1,053,006	\$ 7,665,969

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,607	\$ 113,300
Revenues received in advance	400	94,989
Deposits	—	—
Contracts and notes payable	—	11,515
Interest payable	3,356	—
Current portion of long-term obligations	14,647	191,818
Other current liabilities	52,930	114,302
Total current liabilities	73,940	525,924
Noncurrent liabilities:		
Compensated absences payable	397	7,013
Workers' compensation benefits payable	—	17,851
Loans payable	739	—
Commercial paper and other borrowings	—	1,782
Capital lease obligations	—	236,004
Revenue bonds payable	306,297	57,641
Net other postemployment benefits liability	8,595	119,543
Net pension liability	9,265	99,240
Revenues received in advance	—	—
Other noncurrent liabilities	31,988	537,529
Total noncurrent liabilities	357,281	1,076,603
Total liabilities	431,221	1,602,527
DEFERRED INFLOWS OF RESOURCES	2,281	59,507
Total liabilities and deferred inflows of resources	433,502	1,662,034
NET POSITION		
Net investment in capital assets	—	329,264
Restricted:		
Nonexpendable – endowments	—	1,414,654
Expendable:		
Endowments and gifts	—	—
Education	—	1,184,530
Statute	431,514	—
Other purposes	4	—
Total expendable	431,518	1,184,530
Unrestricted	(389)	656,088
Total net position	431,129	3,584,536
Total liabilities, deferred inflows of resources, and net position	\$ 864,631	\$ 5,246,570

District Agricultural Associations	Other Component Units	Total
\$ 12,713	\$ 746,311	\$ 874,931
12,160	1,101	108,650
1,545	273	1,818
26	—	11,541
492	—	3,848
1,949	3,964	212,378
5,386	3,963	176,581
<u>34,271</u>	<u>755,612</u>	<u>1,389,747</u>
10,374	—	17,784
215	—	18,066
11,354	—	12,093
—	—	1,782
—	—	236,004
40,621	72,937	477,496
20,988	83,652	232,778
104,076	74,745	287,326
6,157	—	6,157
30,334	10,507	610,358
<u>224,119</u>	<u>241,841</u>	<u>1,899,844</u>
258,390	997,453	3,289,591
14,775	31,082	107,645
<u>273,165</u>	<u>1,028,535</u>	<u>3,397,236</u>
257,179	77,104	663,547
—	25,327	1,439,981
—	13,279	13,279
—	17,527	1,202,057
—	—	431,514
17,876	—	17,880
<u>17,876</u>	<u>30,806</u>	<u>1,664,730</u>
<u>(46,458)</u>	<u>(108,766)</u>	<u>500,475</u>
<u>228,597</u>	<u>24,471</u>	<u>4,268,733</u>
\$ 501,762	\$ 1,053,006	\$ 7,665,969

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	\$ 2,351	\$ 358,355
Scholarships and fellowships	—	87,380
Supplies	—	—
Services and charges	2,223	1,188,182
Depreciation	1	58,140
Interest expense and fiscal charges	10,506	20,301
Other	—	47,853
Total operating expenses	15,081	1,760,211
PROGRAM REVENUES		
Charges for services	2,347	680,209
Operating grants and contributions	50,861	696,319
Capital grants and contributions	—	8,447
Total program revenues	53,208	1,384,975
Net revenues (expenses)	38,127	(375,236)
GENERAL REVENUES		
Investment and interest income	20,027	78,637
Other	2,731	442,971
Total general revenues	22,758	521,608
Change in net position	60,885	146,372
Net position – beginning	370,244	3,438,164
Net position – ending	\$ 431,129	\$ 3,584,536

District Agricultural Associations	Other Component Units	Total
\$ —	\$ 48,678	\$ 409,384
—	7,779	95,159
—	14,236	14,236
82,227	38,981	1,311,613
21,608	2,998	82,747
1,755	648	33,210
432	10,227	58,512
106,022	123,547	2,004,861
271,914	60,243	1,014,713
—	20,215	767,395
3,370	1,042	12,859
275,284	81,500	1,794,967
169,262	(42,047)	(209,894)
294	10,162	109,120
5,903	20,498	472,103
6,197	30,660	581,223
175,459	(11,387)	371,329
53,138	35,858	3,897,404
\$ 228,597	\$ 24,471	\$ 4,268,733

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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)

	2011 ²	2012	2013	2014 ³
Governmental activities				
Net investment in capital assets	\$ 85,460,957	\$ 80,768,527	\$ 84,931,030	\$ 94,001,659
Restricted – Expendable	27,865,821	24,871,510	24,315,913	24,950,740
Unrestricted ¹	(123,783,314)	(123,897,753)	(117,383,903)	(116,948,128)
Total governmental activities net position (deficit)	\$ (10,456,536)	\$ (18,257,716)	\$ (8,136,960)	\$ 2,004,271
Business-type activities				
Net investment in capital assets	\$ 1,382,957	\$ 1,561,258	\$ 1,718,648	\$ 2,065,550
Restricted – Nonexpendable	21,812	21,584	20,627	16,219
Restricted – Expendable	3,615,945	4,571,036	5,151,915	4,897,314
Unrestricted	(4,214,494)	(3,346,849)	(2,824,738)	(1,661,692)
Total business-type activities net position (deficit)	\$ 806,220	\$ 2,807,029	\$ 4,066,452	\$ 5,317,391
Primary government				
Net investment in capital assets	\$ 86,843,914	\$ 82,329,785	\$ 86,649,678	\$ 96,067,209
Restricted – Nonexpendable	21,812	21,584	20,627	16,219
Restricted – Expendable	31,481,766	29,442,546	29,467,828	29,848,054
Unrestricted	(127,997,808)	(127,244,602)	(120,208,641)	(118,609,820)
Total primary government net position (deficit)	\$ (9,650,316)	\$ (15,450,687)	\$ (4,070,508)	\$ 7,321,662

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 2011, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the \$1.2 billion beginning net position of the California State University Fund from a governmental fund to an enterprise fund.

³ 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.

⁴ 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.

⁵ In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.

<u>2015</u> ⁴	<u>2016</u>	<u>2017</u>	<u>2018</u> ⁵	<u>2019</u>	<u>2020</u>
\$ 100,694,652	\$ 104,596,917	\$ 107,042,274	\$ 109,614,321	\$ 112,279,950	\$ 116,773,259
26,632,502	29,060,971	33,832,232	35,053,202	41,371,805	46,670,678
(169,744,967)	(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)
<u>\$ (42,417,813)</u>	<u>\$ (34,884,973)</u>	<u>\$ (28,625,177)</u>	<u>\$ (68,648,510)</u>	<u>\$ (54,725,510)</u>	<u>\$ (44,524,586)</u>
\$ 2,278,252	\$ 2,520,621	\$ 2,295,270	\$ 2,469,723	\$ 2,534,257	\$ 2,907,066
13,448	8,653	1,746	1,708	1,693	1,677
4,523,496	5,750,634	6,307,218	12,083,737	12,945,567	7,722,116
(5,360,817)	(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)
<u>\$ 1,454,379</u>	<u>\$ 4,572,502</u>	<u>\$ 7,283,102</u>	<u>\$ (1,909,405)</u>	<u>\$ (1,237,343)</u>	<u>\$ (10,317,752)</u>
\$ 102,972,904	\$ 107,117,538	\$ 109,337,544	\$ 112,084,044	\$ 114,814,207	\$ 119,680,325
13,448	8,653	1,746	1,708	1,693	1,677
31,155,998	34,811,605	40,139,450	47,136,939	54,317,372	54,392,794
(175,105,784)	(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)
<u>\$ (40,963,434)</u>	<u>\$ (30,312,471)</u>	<u>\$ (21,342,075)</u>	<u>\$ (70,557,915)</u>	<u>\$ (55,962,853)</u>	<u>\$ (54,842,338)</u>

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2011 ⁴	2012	2013	2014 ⁵
Governmental activities				
Expenses				
General government	\$ 13,520,557	\$ 14,411,737	\$ 15,390,100	\$ 14,292,179
Education	56,486,944	51,288,647	50,586,387	54,719,677
Health and human services	92,475,364	89,939,730	94,069,749	105,037,102
Natural resources and environmental protection	5,853,278	5,950,635	5,670,922	5,854,685
Business, consumer services, and housing	1,405,019	1,241,269	1,475,486	589,715
Transportation	11,119,644	13,719,927	12,836,192	13,427,229
Corrections and rehabilitation	10,295,564	10,343,574	10,081,736	11,234,705
Interest on long-term debt	4,377,064	4,365,181	4,349,632	4,699,265
Total expenses	195,533,434	191,260,700	194,460,204	209,854,557
Program revenues				
Charges for services:				
General government	5,057,082	6,841,334	6,196,586	5,994,608
Education	110,423	81,212	64,480	67,165
Health and human services	8,471,261	4,940,650	8,761,781	7,961,897
Natural resources and environmental protection	2,797,264	2,866,232	3,269,315	3,403,524
Business, consumer services, and housing	660,196	724,222	682,503	586,055
Transportation	4,010,433	4,342,668	4,082,616	4,247,258
Corrections and rehabilitation	14,981	16,757	45,153	13,645
Operating grants/contributions	67,849,215	58,777,006	60,943,536	69,861,130
Capital grants/contributions	1,272,326	2,193,189	1,669,021	1,515,890
Total program revenues	90,243,181	80,783,270	85,714,991	93,651,172
Total governmental activities net program expenses	(105,290,253)	(110,477,430)	(108,745,213)	(116,203,385)
General revenues and other changes in net position				
General revenues:				
Personal income taxes	51,719,107	54,368,347	67,502,738	68,793,292
Sales and use taxes	33,521,221	31,216,438	33,839,065	36,477,724
Corporation taxes	9,384,416	8,629,935	7,289,910	9,102,128
Motor vehicle excise taxes ¹	—	5,263,435	5,219,605	5,777,167
Insurance taxes	2,311,880	2,408,473	2,295,579	3,359,043
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	7,768,010	2,368,748	2,498,248	2,302,231
Investment and interest	62,946	72,237	57,285	80,969
Escheat	229,146	372,215	551,580	487,937
Gain (loss) on early extinguishment of debt ³	—	—	—	(54,537)
Transfers	(3,251,598)	(2,031,032)	(1,997,759)	(2,296,010)
Total general revenues and other changes in net position	101,745,128	102,668,796	117,256,251	124,029,944
Total governmental activities change in net position	\$ (3,545,125)	\$ (7,808,634)	\$ 8,511,038	\$ 7,826,559

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with “insurance taxes” in prior years.

³ In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds.

⁴ In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

⁵ In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

⁶ In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

2015	2016	2017	2018 ⁶	2019	2020
\$ 15,804,281	\$ 16,686,037	\$ 17,400,482	\$ 18,378,216	\$ 17,900,629	\$ 23,489,012
59,521,018	65,467,497	67,377,805	70,280,444	75,643,779	75,803,990
122,063,805	127,543,288	135,090,171	137,828,737	144,936,676	192,576,208
6,419,591	6,988,442	7,342,079	8,304,162	9,774,290	10,110,777
903,782	814,676	1,163,511	1,258,104	2,133,480	2,603,823
12,897,591	12,120,820	12,947,296	14,259,461	17,022,071	18,424,746
11,483,573	11,875,294	13,086,499	14,921,295	15,153,502	16,861,994
4,880,625	4,231,581	4,191,283	4,154,485	3,995,597	3,841,351
233,974,266	245,727,635	258,599,126	269,384,904	286,560,024	343,711,901
6,502,363	6,525,736	5,825,533	5,726,900	5,755,165	5,847,276
53,498	66,298	74,548	37,147	78,445	49,780
8,259,696	10,630,859	11,638,503	12,968,379	13,874,296	13,836,881
4,546,413	4,823,861	3,998,751	6,319,879	6,644,917	5,551,029
626,960	823,189	844,445	957,885	1,206,126	1,378,181
4,382,901	4,532,300	4,611,244	6,053,140	7,093,122	7,244,317
18,557	19,411	17,988	39,887	10,993	14,753
84,896,237	86,628,827	89,497,290	87,812,627	94,501,862	143,670,642
1,319,430	1,480,351	3,027,780	1,882,595	1,561,483	2,107,963
110,606,055	115,530,832	119,536,082	121,798,439	130,726,409	179,700,822
(123,368,211)	(130,196,803)	(139,063,044)	(147,586,465)	(155,833,615)	(164,011,079)
78,098,865	80,303,076	85,712,013	94,460,551	100,657,551	108,308,455
38,224,080	39,121,061	38,726,332	39,784,494	41,006,121	40,703,239
10,720,647	9,213,173	11,128,198	12,608,756	14,625,724	13,180,402
5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545
3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634
—	—	2,282,313	2,397,531	2,562,919	1,031,357
2,235,498	2,158,874	2,574,456	3,573,848	3,790,987	3,789,610
58,016	131,615	149,135	297,782	706,637	690,169
400,807	304,960	325,755	378,180	447,401	614,394
—	40,516	30,986	—	—	—
(2,554,970)	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)
136,503,256	137,705,648	145,444,193	158,596,061	170,232,867	173,392,737
\$ 13,135,045	\$ 7,508,845	\$ 6,381,149	\$ 11,009,596	\$ 14,399,252	\$ 9,381,658

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2011	2012	2013	2014
Business-type activities				
Expenses				
Electric Power	\$ 2,317,000	\$ 915,000	\$ 488,000	\$ 835,000
Water Resources	1,115,793	1,047,574	1,127,195	983,048
Public Buildings Construction ⁵	390,173	403,853	410,404	—
State Lottery	3,507,524	4,431,709	4,499,451	5,078,935
Unemployment Programs	25,619,138	21,111,658	17,599,219	13,673,403
California State University ⁴	5,851,355	6,181,397	6,196,541	6,544,936
High Technology Education	9,590	7,778	6,568	847
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	10,953	8,780	3,698	5,072
Safe Drinking Water State Revolving ⁶	—	—	—	—
Housing Loan	104,667	89,570	70,356	57,206
Other enterprise programs	118,006	78,601	58,578	79,641
Total expenses	39,044,199	34,275,920	30,460,010	27,258,088
Program revenues				
Charges for services:				
Electric Power	2,317,000	915,000	488,000	835,000
Water Resources	1,115,793	1,047,574	1,127,195	983,048
Public Buildings Construction ⁵	456,467	428,260	616,041	—
State Lottery	3,484,689	4,484,291	4,445,921	5,077,976
Unemployment Programs	24,678,783	21,947,781	18,597,962	15,167,258
California State University ⁴	2,505,545	2,915,123	2,891,432	3,014,030
High Technology Education	10,498	8,452	5,585	424
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	55,957	57,540	60,173	62,985
Safe Drinking Water State Revolving ⁶	—	—	—	—
Housing Loan	89,224	84,830	66,050	65,247
Other enterprise programs	105,676	74,693	80,540	77,671
Operating grants/contributions	1,216,808	1,249,995	1,323,345	1,491,559
Capital grants/contributions	86,272	106,057	142,304	80,903
Total program revenues	36,122,712	33,319,596	29,844,548	26,856,101
Total business-type activities net program revenues (expenses)	(2,921,487)	(956,324)	(615,462)	(401,987)
Other changes in net position				
Gain (loss) on early extinguishment of debt ³	—	—	—	(26,913)
Transfers	3,251,598	2,031,032	1,997,759	2,296,010
Total business-type activities change in net position	330,111	1,074,708	1,382,297	1,867,110
Total primary government change in net position	\$ (3,215,014)	\$ (6,733,926)	\$ 9,893,335	\$ 9,693,669

2015	2016	2017	2018 ⁶	2019	2020
\$ 799,000	\$ 728,000	\$ 945,000	\$ 952,000	\$ 913,000	\$ 905,115
1,019,378	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458
—	—	—	—	—	—
5,560,299	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062
11,390,227	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023
6,847,789	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814
—	—	—	—	—	—
—	—	—	—	—	—
9,082	11,814	17,112	32,335	49,860	45,288
—	—	—	21,994	19,371	25,007
58,280	55,627	62,885	57,088	54,402	53,656
77,475	84,188	75,397	96,078	109,113	148,450
25,761,530	26,940,479	28,504,628	31,327,597	32,789,740	43,241,873
799,000	728,000	945,000	952,000	913,000	903,000
1,019,378	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001
—	—	—	—	—	—
5,553,418	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321
13,402,902	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665
3,113,988	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307
—	—	—	—	—	—
—	—	—	—	—	—
65,959	70,245	75,912	86,789	95,703	87,110
—	—	—	22,675	25,762	29,717
57,742	53,617	52,842	52,735	60,002	61,990
78,625	82,029	93,177	86,911	106,687	105,874
1,666,292	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383
107,746	66,914	61,027	—	—	—
25,865,050	27,258,501	28,131,791	30,512,274	29,540,215	27,559,368
103,520	318,022	(372,837)	(815,323)	(3,249,525)	(15,682,505)
—	—	—	—	—	—
2,554,970	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068
2,658,490	3,118,123	2,710,600	3,524,672	681,381	(9,719,437)
\$ 15,793,535	\$ 10,626,968	\$ 9,091,749	\$ 14,534,268	\$ 15,080,633	\$ (337,779)

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2011 ¹	2012	2013	2014
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable	148,019	7,614	140,107	128,609
Restricted	156,496	80,849	178,643	394,246
Committed	29,850	19,600	22,879	125,120
Assigned	—	—	—	—
Unassigned	(20,273,606)	(23,069,351)	(14,596,085)	(8,092,571)
Total General Fund	\$ (19,939,241)	\$ (22,961,288)	\$ (14,254,456)	\$ (7,444,596)
 All other governmental funds				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Nonspendable	39,448	—	15,022	27,260
Restricted	27,709,325	24,790,661	24,137,270	24,269,093
Committed	2,701,702	2,109,089	2,318,035	2,914,747
Assigned	268,888	3	209,171	18,857
Unassigned	(21,847)	(103,177)	(176,066)	(20,145)
Total all other governmental funds	\$ 30,697,516	\$ 26,796,576	\$ 26,503,432	\$ 27,209,812

¹ In fiscal year 2011, the California State University Fund, which consisted of a \$1.2 billion beginning fund balance, was reclassified from a governmental fund to an enterprise fund.

2015	2016	2017	2018	2019	2020
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
53,431	75,939	103,903	559,644	1,180,575	2,129,227
2,266,635	4,044,911	7,429,825	9,807,729	14,834,597	16,709,782
102,793	68,102	180,755	171,020	1,787,142	2,965,662
—	—	—	—	—	3,080,372
(4,651,491)	(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557
\$ (2,228,632)	\$ 361,728	\$ 5,810,386	\$ 12,186,904	\$ 18,567,882	\$ 28,501,600
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
5,620	11,188	20,172	69,868	12,760	13,702
24,224,167	24,885,166	26,233,389	25,051,548	26,329,109	29,796,900
4,090,563	5,652,478	5,847,879	7,897,362	9,994,978	10,066,141
16,767	14,622	12,033	26,346	19,247	49,868
(6,456)	(1,037)	(15,152)	—	—	(2,474,960)
\$ 28,330,661	\$ 30,562,417	\$ 32,098,321	\$ 33,045,124	\$ 36,356,094	\$ 37,451,651

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2011 ³	2012	2013	2014
Revenues				
Personal income taxes	\$ 51,691,153	\$ 54,442,733	\$ 67,424,576	\$ 68,771,667
Sales and use taxes	33,488,805	31,205,183	33,869,961	36,409,311
Corporation taxes	9,433,416	8,609,935	7,261,910	9,242,454
Motor vehicle excise taxes ¹	—	5,263,435	5,219,605	5,777,167
Insurance taxes	2,311,881	2,408,473	2,295,579	3,359,043
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	7,829,662	2,306,717	2,425,184	2,297,025
Intergovernmental	69,160,916	62,235,671	64,418,808	73,000,600
Licenses and permits	6,767,437	6,600,001	6,659,078	6,957,117
Charges for services	1,008,647	728,980	741,201	769,302
Fees and penalties	10,262,387	8,315,452	10,673,104	9,757,476
Investment and interest	212,116	175,898	135,928	137,754
Escheat	229,146	372,215	551,580	488,945
Other	2,941,484	2,542,505	3,227,347	2,903,335
Total revenues	195,337,050	185,207,198	204,903,861	219,871,196
Expenditures				
General government	12,997,651	13,484,305	15,748,069	14,778,214
Education	55,547,139	50,362,337	49,692,763	53,309,436
Health and human services	91,941,309	89,473,391	94,621,630	104,781,494
Natural resources and environmental protection	5,254,757	5,358,575	5,318,332	5,508,860
Business, consumer services, and housing	1,183,536	1,219,499	1,259,392	621,037
Transportation	13,181,390	15,684,611	15,008,671	15,721,532
Corrections and rehabilitation	9,253,791	9,805,846	9,681,086	10,395,234
Capital outlay	1,128,011	1,296,413	1,222,342	1,909,010
Debt service:				
Bond and commercial paper retirement	3,118,906	4,435,992	5,189,150	7,002,941
Interest and fiscal charges	4,355,110	4,453,643	4,363,260	4,321,040
Total expenditures	197,961,600	195,574,612	202,104,695	218,348,798
Excess (deficiency) of revenues over (under) expenditures ..	(2,624,550)	(10,367,414)	2,799,166	1,522,398
Other financing sources (uses)				
General obligation bonds and commercial paper issued	4,525,000	4,165,515	4,038,095	5,082,305
Revenue bonds issued	—	—	—	—
Refunding/remarketing debt issued	—	4,300,555	4,634,365	2,077,330
Payment to refund/remarket long-term debt	—	(4,508,834)	(3,174,613)	(328,024)
Premium on bonds issued	32,607	667,931	964,211	505,026
Proceeds from loans	35,538	—	—	—
Capital leases	204,631	528,804	710,440	1,486,204
Transfers in	8,705,229	5,523,644	2,957,762	4,041,250
Transfers out	(11,902,800)	(7,499,131)	(4,898,754)	(6,304,047)
Total other financing sources	1,600,205	3,178,484	5,231,506	6,560,044
Total change in fund balance	\$ (1,024,345)	\$ (7,188,930)	\$ 8,030,672	\$ 8,082,442
Debt service as a percentage of noncapital expenditures	3.9 %	4.7 %	4.9 %	5.3 %

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with “insurance taxes” in prior years.

³ In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

	2015	2016	2017	2018	2019	2020
\$	78,245,616	\$ 79,934,285	\$ 85,737,905	\$ 94,484,443	\$ 96,801,076	\$ 111,831,167
	38,389,972	39,136,040	38,741,715	39,777,069	41,085,626	40,709,462
	10,780,647	9,214,173	11,125,198	12,597,928	14,038,348	13,722,735
	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545
	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634
	—	—	2,282,313	2,397,531	2,562,919	1,031,357
	2,312,875	2,185,690	2,565,928	3,548,182	3,688,531	3,862,045
	87,740,667	91,069,753	95,709,784	92,904,469	99,867,750	148,951,650
	7,270,994	7,612,551	8,113,542	8,761,620	9,186,945	9,256,454
	849,895	870,142	860,241	975,314	956,032	972,805
	10,510,727	11,882,699	11,571,934	13,548,471	14,187,698	14,322,983
	119,690	232,285	318,502	607,418	1,321,143	1,328,956
	406,899	305,394	327,614	382,793	448,756	615,720
	3,975,144	4,049,789	2,934,157	5,318,739	5,594,587	4,595,386
	249,923,439	255,725,275	267,887,275	284,738,891	300,105,844	362,238,899
	16,202,395	16,715,892	17,250,720	18,978,389	19,263,146	27,393,107
	62,952,621	65,213,542	67,224,796	69,902,627	75,071,188	76,347,719
	122,259,036	127,201,314	134,372,094	138,018,275	144,543,589	191,819,998
	6,006,446	6,278,363	6,712,838	7,987,878	9,069,777	9,244,813
	670,774	1,130,213	1,103,694	1,189,365	2,013,409	2,457,248
	15,137,217	14,814,829	15,007,639	17,169,040	17,893,338	20,025,848
	11,182,926	11,450,980	12,276,391	14,665,524	14,055,766	14,680,705
	1,019,335	1,492,442	1,238,700	612,769	287,487	401,066
	8,482,380	6,929,866	9,364,550	8,598,856	10,444,825	10,276,581
	4,473,799	4,057,907	3,986,270	3,961,704	3,971,353	3,856,390
	248,386,929	255,285,348	268,537,692	281,084,427	296,613,878	356,503,475
	1,536,510	439,927	(650,417)	3,654,464	3,491,966	5,735,424
	4,343,165	4,074,980	4,325,075	5,283,365	3,626,765	5,085,590
	—	—	—	—	—	500,000
	5,086,100	5,220,320	7,074,225	6,681,855	5,683,865	4,384,895
	(3,865,093)	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—
	1,116,811	1,037,920	1,309,254	1,036,320	1,003,337	1,217,615
	—	—	—	—	—	—
	625,282	1,148,774	988,680	405,930	50,506	24,082
	5,344,134	4,385,123	4,586,199	4,266,596	4,414,250	5,776,094
	(7,934,754)	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)
	4,715,645	4,358,647	7,693,525	5,392,268	6,069,288	5,256,790
\$	6,252,155	4,798,574	7,043,108	9,046,732	9,561,254	10,992,214
	5.4 %	4.4 %	5.1 %	4.6 %	5.0 %	4.0 %

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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)

	2010	2011	2012	2013
Personal Income by Industry				
(items restated as footnoted) ¹				
Farm earnings	\$ 13,158,193	\$ 15,198,140	\$ 17,356,593	\$ 20,049,107
Forestry, fishing, and other natural resources	6,400,497	6,693,485	7,504,590	7,928,931
Mining	4,620,076	5,251,493	6,041,129	6,522,865
Construction and utilities	64,196,131	62,972,017	67,862,415	75,578,567
Manufacturing	115,565,437	119,852,946	124,666,659	126,302,825
Wholesale trade	52,651,124	56,488,847	59,067,338	61,598,279
Retail trade	69,564,024	72,732,632	77,323,055	79,202,104
Transportation and warehousing	33,579,755	36,376,555	37,949,820	39,849,739
Information, finance, and insurance	130,737,220	135,321,324	144,204,507	157,149,112
Real estate and rental and leasing	36,963,992	47,395,981	55,245,202	52,971,172
Services	439,206,312	467,337,237	506,565,209	515,553,620
Federal, civilian	25,736,809	26,083,443	26,157,961	25,771,225
Military	16,264,215	16,062,725	15,933,633	15,353,761
State and local government	177,461,935	181,063,132	179,834,589	190,303,808
Other ²	442,351,917	489,110,047	526,684,790	512,241,484
Total personal income	\$ 1,628,457,637	\$ 1,737,940,004	\$ 1,852,397,490	\$ 1,886,376,599
Average effective rate ³	4.7 %	5.3 %	5.0 %	6.1 %

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

¹ Prior years were updated based on more current information.

² Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

³ The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

	2014	2015	2016	2017	2018	2019
\$	22,100,446	\$ 21,155,703	\$ 18,493,470	\$ 20,098,245	\$ 18,154,900	\$ 22,674,112
	8,378,306	9,301,786	9,976,464	10,260,965	10,793,603	11,407,399
	6,770,753	5,047,379	3,790,842	3,238,577	3,750,366	3,745,836
	81,241,524	89,577,593	94,802,155	104,068,836	113,018,801	120,039,574
	133,278,056	139,589,740	145,582,547	153,803,556	159,111,088	163,087,069
	65,993,637	70,438,231	70,410,649	73,935,295	71,944,629	73,053,356
	82,432,879	86,320,236	86,226,639	88,819,947	91,513,139	94,414,798
	42,802,161	46,649,498	50,014,894	54,573,656	60,830,516	70,961,853
	160,266,822	174,885,957	191,701,160	207,515,651	219,064,254	230,274,319
	50,460,373	52,970,654	55,443,901	56,934,715	62,390,320	66,068,370
	553,482,528	590,416,474	613,415,996	644,014,468	684,071,202	724,612,024
	26,450,856	27,477,720	28,300,545	29,207,559	30,476,460	31,168,087
	15,071,057	14,953,968	15,437,149	15,152,333	15,997,463	16,701,233
	200,322,926	212,523,491	223,715,226	231,365,421	238,629,558	248,631,532
	571,983,266	631,621,808	666,245,831	690,141,289	734,757,073	755,440,213
	\$ 2,021,035,590	\$ 2,172,930,238	\$ 2,273,557,468	\$ 2,383,130,513	\$ 2,514,503,372	\$ 2,632,279,775
	5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2010	2011	2012	2013
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	\$ 47,355,568	\$ 53,303,501	\$ 61,547,848	\$ 67,986,436
Furniture and home furnishings stores	8,742,984	9,280,688	9,937,187	10,645,523
Electronics and appliance stores	13,749,019	14,297,402	14,744,723	14,765,485
Building materials, garden equipment, and supplies	24,750,865	26,064,428	27,438,083	29,680,053
Food and beverage	22,787,407	23,606,132	24,511,714	25,289,203
Health and personal care stores	9,525,910	10,309,491	10,787,801	11,294,049
Gasoline stations	45,226,491	55,210,076	58,006,168	56,860,585
Clothing and clothing accessories stores	27,267,430	29,600,057	32,357,516	34,918,036
Sporting goods, hobby, book, and music stores	10,365,480	10,602,711	10,751,814	11,113,831
General merchandise stores	46,323,804	48,219,018	49,996,451	51,431,094
Miscellaneous store retailers	16,569,690	17,187,402	17,880,765	18,382,224
Nonstore retailers	2,830,615	3,081,188	4,375,432	7,296,839
Food services and drinking places	51,282,453	54,755,944	59,037,320	62,776,360
All other outlets	150,570,269	165,050,017	177,014,427	184,399,899
Total taxable sales	<u>\$ 477,347,985</u>	<u>\$ 520,568,055</u>	<u>\$ 558,387,249</u>	<u>\$ 586,839,617</u>

Direct sales tax rate ¹	7.25 %	6.25 % ²	6.25 %	6.50 % ³
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Source: California Department of Tax and Fee Administration (CDTFA)

¹ The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund. It does not include the local tax rate that is allocated to cities and counties.

² Rate change was effective on July 1, 2011.

³ Rate change was effective on January 1, 2013.

⁴ Rate change was effective on January 1, 2017.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 73,232,242	\$ 80,346,595	\$ 84,225,652	\$ 86,983,280	\$ 89,696,669	\$ 88,526,877
11,408,837	12,169,888	12,790,041	13,035,340	13,578,685	13,427,029
15,148,893	16,349,542	17,120,030	17,170,671	17,520,474	16,999,111
31,299,110	33,601,538	35,238,333	37,504,347	39,469,798	40,313,948
26,298,414	27,134,034	27,678,056	28,799,044	29,697,424	30,216,432
11,640,870	12,364,559	13,163,569	13,669,415	14,384,602	15,160,891
55,733,384	48,203,175	43,273,182	47,434,923	54,302,232	54,141,178
36,822,241	38,438,074	39,698,156	40,206,581	42,233,560	43,130,842
11,056,024	11,341,328	11,441,556	10,900,749	10,467,200	10,407,608
52,013,855	53,119,200	53,032,357	54,684,182	56,416,293	58,066,003
19,024,905	19,852,685	19,617,820	19,719,301	20,503,078	20,952,870
8,292,788	9,531,606	11,717,407	13,599,808	15,663,789	20,276,518
67,864,614	73,889,708	78,494,623	82,355,474	85,226,197	89,403,960
195,985,698	202,290,022	206,365,477	211,760,378	217,675,199	231,733,635
<u>\$ 615,821,875</u>	<u>\$ 638,631,954</u>	<u>\$ 653,856,259</u>	<u>\$ 677,823,493</u>	<u>\$ 706,835,200</u>	<u>\$ 732,756,902</u>
6.50 %	6.50 %	6.50 %	6.00 % ⁴	6.00 %	6.00 % (concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2010 and 2018

Personal Income Tax Filers and Liability by Income Level ¹

		2010			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	9,505,508	64.2 %	\$ 1,776,066	4.0 %
50,000 to	99,999	3,066,034	20.7	6,154,040	13.8
100,000 to	149,999	1,155,151	7.8	5,863,548	13.2
150,000 to	199,999	478,533	3.2	4,318,777	9.7
200,000 to	299,999	331,659	2.2	4,901,242	11.0
300,000 to	399,999	109,959	0.7	2,608,931	5.9
400,000 to	499,999	51,790	0.4	1,723,981	3.9
500,000 to	599,999	28,870	0.2	1,214,395	2.7
600,000 to	699,999	17,537	0.1	904,305	2.0
700,000 to	799,999	12,548	0.1	746,736	1.7
800,000 to	899,999	8,879	0.1	608,471	1.4
900,000 to	999,999	6,567	0.1	505,903	1.1
1,000,000 to	1,999,999	25,630	0.2	2,971,192	6.7
2,000,000 to	2,999,999	6,510	0.0	1,412,465	3.2
3,000,000 to	3,999,999	2,959	0.0	934,026	2.1
4,000,000 to	4,999,999	1,612	0.0	659,569	1.5
\$ 5,000,000 and over	.....	4,679	0.0	7,168,800	16.1
Total	.....	14,814,425	100.0 %	\$ 44,472,447	100.0 %

		2018			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	9,560,133	55.9 %	\$ 1,519,194	1.7 %
50,000 to	99,999	3,812,068	22.3	6,385,678	7.3
100,000 to	149,999	1,608,631	9.4	7,561,614	8.7
150,000 to	199,999	806,451	4.7	6,881,119	7.9
200,000 to	299,999	656,147	3.9	9,405,259	10.8
300,000 to	399,999	257,161	1.5	5,985,102	6.9
400,000 to	499,999	124,868	0.7	4,082,585	4.7
500,000 to	599,999	72,363	0.4	3,071,887	3.5
600,000 to	699,999	45,189	0.3	2,360,631	2.7
700,000 to	799,999	30,881	0.2	1,932,662	2.2
800,000 to	899,999	21,465	0.1	1,580,227	1.8
900,000 to	999,999	16,018	0.1	1,353,320	1.6
1,000,000 to	1,999,999	56,832	0.3	7,526,933	8.6
2,000,000 to	2,999,999	14,145	0.1	3,717,140	4.3
3,000,000 to	3,999,999	6,047	0.0	2,351,381	2.7
4,000,000 to	4,999,999	3,398	0.0	1,761,609	2.0
\$ 5,000,000 and over	.....	9,956	0.1	19,691,999	22.6
Total	.....	17,101,753	100.0 %	\$ 87,168,340	100.0 %

Source: California Franchise Tax Board

¹ For California resident tax returns. Calendar year 2018 is the most recent year for which data is available.

² Amounts are in thousands.

For Calendar Years 2010 and 2019

Sales Tax Permits and Tax Liability by Industry

	2010			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	32,727	3.4 %	\$ 3,433,279	9.9 %
Furniture and home furnishings stores	18,252	1.9	633,866	1.8
Electronics and appliance stores	21,984	2.3	996,804	2.9
Building materials, garden equipment, and supplies	17,035	1.7	1,794,438	5.2
Food and beverage	29,900	3.1	1,652,087	4.8
Health and personal care stores	21,188	2.2	690,628	2.0
Gasoline stations	10,096	1.0	3,278,921	9.5
Clothing and clothing accessories stores	65,734	6.7	1,976,889	5.7
Sporting goods, hobby, book, and music stores	27,724	2.8	751,497	2.2
General merchandise stores	15,684	1.6	3,358,476	9.7
Miscellaneous store retailers	118,369	12.1	1,201,302	3.5
Nonstore retailers	178,056	18.2	205,220	0.6
Food services and drinking places	92,370	9.4	3,717,978	10.7
All other outlets	328,928	33.6	10,916,345	31.5
Total	978,047	100.0 %	\$ 34,607,730	100.0 %

	2019			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	37,712	2.9 %	\$ 5,311,613	12.1 %
Furniture and home furnishings stores	21,030	1.6	805,622	1.8
Electronics and appliance stores	25,024	1.9	1,019,947	2.3
Building materials, garden equipment, and supplies	17,921	1.4	2,418,837	5.5
Food and beverage	37,401	2.9	1,812,986	4.1
Health and personal care stores	50,015	3.9	909,653	2.1
Gasoline stations	10,185	0.8	3,248,471	7.4
Clothing and clothing accessories stores	120,317	9.3	2,587,851	5.9
Sporting goods, hobby, book, and music stores	35,391	2.7	624,456	1.4
General merchandise stores	27,956	2.2	3,483,960	7.9
Miscellaneous store retailers	180,060	13.9	1,257,172	2.9
Nonstore retailers	73,406	5.7	1,216,591	2.8
Food services and drinking places	118,410	9.0	5,364,238	12.2
All other outlets	541,721	41.8	13,904,018	31.6
Total	1,296,549	100.0 %	\$ 43,965,415	100.0 %

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

¹ Calculated by multiplying the taxable sales by industry shown on pages 306 and 307 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2010-2019

Married Filing Jointly and Surviving Spouse				
Tax Rate ¹	2010	2011	2012	2013
	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,248	Up to \$14,632	Up to \$14,910	Up to \$15,164
2.0	14,249 – 33,780	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952
4.0	33,781 – 53,314	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742
6.0	53,315 – 74,010	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768
8.0	74,011 – 93,532	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548
9.3	93,533 – 1,000,000	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500
10.3	\$1,000,001 and over	\$1,000,001 and over	500,001 – 600,000	508,501 – 610,200
11.3	—	—	600,001 – 1,000,000	610,201 – 1,000,000
12.3	—	—	\$1,000,001 and over	1,000,001 – 1,017,000
13.3	—	—	—	\$1,017,001 and over

Single and Married Filing Separately				
Tax Rate ¹	2010	2011	2012	2013
	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,124	Up to \$7,316	Up to \$7,455	Up to \$7,582
2.0	7,125 – 16,890	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976
4.0	16,891 – 26,657	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371
6.0	26,658 – 37,005	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384
8.0	37,006 – 46,766	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774
9.3	46,767 – 1,000,000	48,030 – 1,000,000	48,943 – 250,000	49,775 – 254,250
10.3	\$1,000,001 and over	\$1,000,001 and over	250,001 – 300,000	254,251 – 305,100
11.3	—	—	300,001 – 500,000	305,101 – 508,500
12.3	—	—	500,001 – 1,000,000	508,501 – 1,000,000
13.3	—	—	\$1,000,001 and over	\$1,000,001 and over

Head of Household				
Tax Rate ¹	2010	2011	2012	2013
	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,257	Up to \$14,642	Up to \$14,920	Up to \$15,174
2.0	14,258 – 33,780	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952
4.0	33,781 – 43,545	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346
6.0	43,546 – 53,893	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359
8.0	53,894 – 63,657	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751
9.3	63,658 – 1,000,000	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780
10.3	\$1,000,001 and over	\$1,000,001 and over	340,001 – 408,000	345,781 – 414,936
11.3	—	—	408,001 – 680,000	414,937 – 691,560
12.3	—	—	680,001 – 1,000,000	691,561 – 1,000,000
13.3	—	—	\$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)

	2010	2011	2012	2013
Personal income tax revenue ¹	\$ 43,884,798	\$ 51,691,153	\$ 54,442,733	\$ 66,220,132
Adjusted gross income ²	\$ 939,888,500	\$ 980,167,100	\$ 1,087,823,400	\$ 1,091,080,300
Average effective rate ³	4.7 %	5.3 %	5.0 %	6.1 %

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

² Source: California Franchise Tax Board. Fiscal year 2019 information reflects returns processed as of December 2020.

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

Married Filing Jointly and Surviving Spouse

2014	2015	2016	2017	2018	2019
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$15,498	Up to \$15,700	Up to \$16,030	Up to \$16,446	Up to \$17,088	Up to \$17,618
15,499 – 36,742	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766
36,743 – 57,990	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920
57,991 – 80,500	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506
80,501 – 101,738	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648
101,739 – 519,688	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746
519,689 – 623,624	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890
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
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
\$1,039,375 and over	\$1,052,887 and over	\$1,074,997 and over	\$1,102,946 and over	\$1,145,961 and over	\$1,181,485 and over

Single and Married Filing Separately

2014	2015	2016	2017	2018	2019
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$7,749	Up to \$7,850	Up to \$8,015	Up to \$8,223	Up to \$8,544	Up to \$8,809
7,750 – 18,371	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810 – 20,883
18,372 – 28,995	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960
28,996 – 40,250	29,373 – 40,773	29,990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753
40,251 – 50,869	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824
50,870 – 259,844	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373
259,845 – 311,812	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445
311,813 – 519,687	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742
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
\$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

2014	2015	2016	2017	2018	2019
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$15,508	Up to \$15,710	Up to \$16,040	Up to \$16,457	Up to \$16,457	Up to \$17,629
15,509 – 36,743	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991	17,630 – 41,768
36,744 – 47,366	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264	41,769 – 53,843
47,367 – 58,621	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206	53,844 – 66,636
58,622 – 69,242	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477	66,637 – 78,710
69,243 – 353,387	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478 – 375,002	78,711 – 401,705
353,388 – 424,065	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003	401,706 – 482,047
424,066 – 706,774	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003	482,048 – 803,410
706,775 – 1,000,000	715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	750,004 – 1,000,000	803,411 – 1,000,000
\$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

2014	2015	2016	2017	2018	2019
\$ 67,584,256	\$ 76,879,115	\$ 78,510,777	\$ 84,253,851	\$ 92,808,996	\$ 95,026,913
\$ 1,216,002,700	\$ 1,265,341,200	\$ 1,318,362,700	\$ 1,430,332,000	\$ 1,531,670,000	\$ 1,596,322,000
5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %

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Debt Capacity

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

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

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

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities				
General obligation bonds ¹	\$ 79,469,085	\$ 81,060,111	\$ 82,346,211	\$ 83,276,347
Revenue bonds ²	7,511,092	7,421,198	7,735,053	18,917,443
Certificates of participation and commercial paper ³	1,335,340	46,098	538,593	598,094
Capital lease obligations ⁴	4,882,233	5,176,341	5,319,487	260,088
Total governmental activities	<u>93,197,750</u>	<u>93,703,748</u>	<u>95,939,344</u>	<u>103,051,972</u>
Business-type activities				
General obligation bonds ¹	1,218,639	1,118,634	887,053	674,394
Revenue bonds ²	23,290,315	24,790,918	25,558,129	12,991,827
Commercial paper	139,974	67,325	77,560	204,647
Capital lease obligations	791,489	817,687	909,871	1,250,274
Total business-type activities	<u>25,440,417</u>	<u>26,794,564</u>	<u>27,432,613</u>	<u>15,121,142</u>
Total primary government	<u>\$ 118,638,167</u>	<u>\$ 120,498,312</u>	<u>\$ 123,371,957</u>	<u>\$ 118,173,114</u>
Debt as a percentage of personal income ⁵	7.3%	6.9%	6.7%	6.3%
Amount of debt per capita ⁶	\$ 3,179	\$ 3,202	\$ 3,251	\$ 3,089

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 322 and 323 for the prior calendar year.

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

2015	2016	2017	2018	2019	2020
\$ 80,509,802	\$ 79,043,295	\$ 79,503,871	\$ 79,663,028	\$ 78,772,850	\$ 78,883,746
18,409,971	17,210,499	16,879,900	16,364,255	15,711,660	15,905,264
493,770	771,215	1,158,080	859,695	1,032,760	1,108,720
274,760	370,182	416,468	481,261	434,876	393,089
99,688,303	97,395,191	97,958,319	97,368,239	95,952,146	96,290,819
650,133	794,369	703,754	694,100	850,762	788,052
12,670,619	13,928,374	14,955,858	14,319,372	14,521,460	14,277,362
237,186	47,416	147,765	749,877	799,643	1,049,226
1,210,409	389,385	353,453	309,928	315,322	357,072
14,768,347	15,159,544	16,160,830	16,073,277	16,487,187	16,471,712
\$ 114,456,650	\$ 112,554,735	\$ 114,119,149	\$ 113,441,516	\$ 112,439,333	\$ 112,762,531
5.7%	5.2%	5.0%	4.8%	4.5%	4.3%
\$ 2,965	\$ 2,892	\$ 2,914	\$ 2,882	\$ 2,849	\$ 2,859

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net general bonded debt				
General obligation bonds ¹	\$ 73,516,674	\$ 75,791,795	\$ 78,001,049	\$ 79,368,794
Economic Recovery bonds	7,171,050	6,386,950	5,232,215	4,581,745
Less: restricted debt service fund	143,777	330,297	278,425	318,171
Net Economic Recovery bonds ²	<u>7,027,273</u>	<u>6,056,653</u>	<u>4,953,790</u>	<u>4,263,574</u>
Net general bonded debt	<u>\$ 80,543,947</u>	<u>\$ 81,848,448</u>	<u>\$ 82,954,839</u>	<u>\$ 83,632,368</u>
Net general bonded debt as a percentage of personal income ³	4.9%	4.7%	4.5%	4.4%
Amount of net general bonded debt per capita ⁴	\$ 2,158	\$ 2,175	\$ 2,186	\$ 2,186

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 322 and 323 for the prior calendar year.

⁴ Amount calculated using population data shown on pages 342 and 343 for the prior calendar year.

2015	2016	2017	2018	2019	2020
\$ 80,215,650	\$ 79,837,664	\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798
944,285	—	—	—	—	—
818,321	—	—	—	—	—
125,964	—	—	—	—	—
\$ 80,341,614	\$ 79,837,664	\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798
4.0%	3.7%	3.5%	3.4%	3.2%	3.0%
\$ 2,082	\$ 2,051	\$ 2,030	\$ 2,042	\$ 2,018	\$ 2,020

Schedule of General Obligation Bonds Outstanding

June 30, 2020

(amounts in thousands)

Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	\$ 1,813,505
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All	25,035
California Library Construction and Renovation	208,495
California Park and Recreational Facilities	5,905
California Parklands	1,100
California Safe Drinking Water	30,325
California Stem Cell Research and Cures	960,520
California Wildlife, Coastal, and Park Land Conservation	58,770
Children's Hospital	1,299,910
Class-Size Reduction Public Education Facilities	4,156,935
Clean Air and Transportation Improvement	430,985
Clean Water	3,995
Clean Water and Water Conservation	2,335
Clean Water and Water Reclamation	10,385
Community Parklands	1,095
County Correctional Facility Capital Expenditure	5,815
County Correctional Facility Capital Expenditure and Youth Facility	26,245
Disaster Preparedness and Flood Prevention	2,791,155
Earthquake Safety and Public Buildings Rehabilitation	19,050
Fish and Wildlife Habitat Enhancement	3,375
Higher Education Facilities	174,380
Highway Safety, Traffic Reduction, Air Quality, and Port Security	15,514,345
Housing and Emergency Shelter	1,046,425
Housing and Homeless	740
Kindergarten-University Public Education Facilities	28,243,550
New Prison Construction	4,875
Passenger Rail and Clean Air	2,960
Public Education Facilities	920,605
Safe, Clean, Reliable Water Supply	392,545
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection	1,105,205
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection	3,228,805
Safe Neighborhood Parks	1,120,125
Safe, Reliable High-Speed Passenger Train	3,230,780
School Building and Earthquake	7,980
School Facilities	469,570
Seismic Retrofit	818,115
State, Urban, and Coastal Park	2,035
Veterans and Affordable Housing	99,830
Veterans Homes	31,290
Veterans Housing and Homeless Prevention	49,180
Voting Modernization	2,155
Water Conservation	10,320
Water Conservation and Water Quality	13,740
Water Quality, Supply, and Infrastructure	1,272,500
Water Security, Clean Drinking Water, Coastal and Beach Protection	2,351,045
Total governmental activity	71,968,035
Business-type activity	
California Water Resources Development	10,685
Veterans Farm and Home Building	768,235
Total business-type activity	778,920
Total outstanding general obligation bonds	72,746,955
Unamortized bond premiums/discounts	6,924,843
Total general obligation bonds payable	\$ 79,671,798

Source: California State Treasurer's Office

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Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
					Principal	Interest	Total	
Housing Loans	2011	\$ 89,224	\$ 15,802	\$ 73,422	\$ 130,770	\$ 32,619	\$ 163,389	0.45
	2012	84,830	20,322	64,508	88,105	24,914	113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016 ⁴	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017 ⁴	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2018 ⁴	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2019 ⁴	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2020	61,588	15,463	46,125	17,980	11,392	29,372	1.57
Water Resources	2011	\$ 1,096,196	\$ 880,540	\$ 215,656	\$ 108,870	\$ 117,668	\$ 226,538	0.95
	2012	1,045,812	852,404	193,408	116,150	121,804	237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
	2017	1,223,340	941,984	281,356	134,185	34,408	168,593	1.67
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
	2019	1,172,134	784,173	387,961	129,400	86,809	216,209	1.79
	2020	1,155,001	720,577	434,424	147,035	139,197	286,232	1.52
Water Pollution Control	2011	\$ 49,585	\$ 4,876	\$ 44,709	\$ 24,390	\$ 5,996	\$ 30,386	1.47
	2012	50,183	2,849	47,334	24,285	4,984	29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86
	2017	65,635	350	65,285	12,940	12,458	25,398	2.57
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37
	2019	86,828	435	86,393	58,845	37,384	96,229	0.90
	2020	80,627	353	80,274	77,170	35,174	112,344	0.71

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. Prior to fiscal year 2012, bond issuance costs were amortized over the term of the bond. Beginning fiscal year 2012, bond issuance costs are operating expenses in the fiscal year incurred.

³ Debt service requirements include principal and interest of revenue bonds.

⁴ Some prior years were updated based on more current information.

⁵ All revenue bonds have been redeemed.

⁶ In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

⁷ Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Electric Power	2011	\$ 2,317,000	\$ 1,427,000	\$ 890,000	\$ 460,000	\$ 344,000	\$ 804,000	1.11
	2012	915,000	29,000	886,000	556,000	354,000	910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
	2017	945,000	(29,000)	974,000	690,000	215,000	905,000	1.08
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
	2019	923,000	(5,000)	928,000	753,000	139,000	892,000	1.04
	2020	925,000	(11,000)	936,000	970,000	109,000	1,079,000	0.87
Public Buildings Construction	2011	\$ 423,775	\$ 507	\$ 423,268	\$ 394,490	\$ 383,185	\$ 777,675	0.54
	2012	426,960	13,211	413,749	405,585	384,400	789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
	2017	447,238	6,899	440,339	481,680	402,201	883,881	0.50
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
	2019	442,022	1,945	440,077	518,640	363,983	882,623	0.50
	2020	422,614	4,430	418,184	635,985	353,371	989,356	0.42
High Technology Education ⁵	2011	\$ 10,498	\$ 681	\$ 9,817	\$ 19,995	\$ 8,878	\$ 28,873	0.34
	2012	8,452	—	8,452	21,105	7,754	28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University ⁶	2011	\$ 3,722,414	\$ 5,455,059	\$ (1,732,645)	\$ 56,344	\$ 172,231	\$ 228,575	(7.58)
	2012	4,165,118	5,770,880	(1,605,762)	138,535	174,914	313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)
	2017	5,030,325	7,479,645	(2,449,320)	120,570	200,678	321,248	(7.62)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)
	2019	5,573,812	9,139,677	(3,565,865)	237,971	297,486	535,457	(6.66)
	2020	5,695,853	9,908,839	(4,212,986)	299,162	342,642	641,804	(6.56)

(continued)

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
					Principal	Interest	Total	
Building Authorities	2011	\$ 63,168	\$ —	\$ 63,168	\$ 51,957	\$ 20,071	\$ 72,028	0.88
	2012	57,386	—	57,386	36,473	22,889	59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
	2017	40,718	—	40,718	27,420	10,096	37,516	1.09
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
	2019	38,327	—	38,327	31,605	6,012	37,617	1.02
	2020	35,546	—	35,546	33,215	4,383	37,598	0.95
Golden State Tobacco Securitization Corporation	2011	\$ 361,974	\$ —	\$ 361,974	\$ 60,230	\$ 315,268	\$ 375,498	0.96
	2012	368,853	—	368,853	65,765	312,815	378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	394	414,598	133,900	292,173	426,073	0.97
	2016	365,300	586	364,714	70,535	299,935	370,470	0.98
	2017	370,612	462	370,150	745,888	308,638	1,054,526	0.35
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
	2019	446,462	653	445,809	878,094	288,841	1,166,935	0.38
	2020	423,369	530	422,839	154,190	265,519	419,709	1.01
Grant Anticipation Revenue Vehicles ⁷	2011	\$ 84,294	\$ —	\$ 84,294	\$ 64,785	\$ 19,509	\$ 84,294	1.00
	2012	84,290	—	84,290	67,730	16,560	84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00
	2017	11,390	—	11,390	9,360	2,030	11,390	1.00
	2018	11,393	—	11,393	9,830	1,563	11,393	1.00
	2019	11,390	—	11,390	10,320	1,070	11,390	1.00
	2020	11,390	—	11,390	10,835	555	11,390	1.00

(concluded)

Demographic and Economic Information

The *demographic and economic* schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2010	2011	2012	2013
Population (in thousands) ¹				
California	37,320	37,636	37,945	38,254
% Change	1.0%	0.8%	0.8%	0.8%
United States	309,327	311,583	313,878	316,060
% Change	0.8%	0.7%	0.7%	0.7%
Total personal income (in millions) ¹				
California	\$ 1,628,458	\$ 1,737,940	\$ 1,852,398	\$ 1,886,377
% Change	4.8%	6.7%	6.6%	1.8%
United States	\$ 12,541,995	\$ 13,315,478	\$ 13,998,383	\$ 14,175,503
% Change	4.1%	6.2%	5.1%	1.3%
Per capita personal income ^{1,2}				
California	\$ 43,636	\$ 46,177	\$ 48,819	\$ 49,312
% Change	3.8%	5.8%	5.7%	1.0%
United States	\$ 40,546	\$ 42,735	\$ 44,598	\$ 44,851
% Change	3.2%	5.4%	4.4%	0.6%
Labor force and employment (in thousands)				
California				
Civilian labor force	18,316	18,385	18,511	18,573
Employed	16,052	16,227	16,740	17,044
Unemployed	2,265	2,158	1,771	1,530
Unemployment rate	12.4%	11.7%	9.6%	8.2%
United States employment rate	9.6%	8.9%	8.1%	7.4%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of July 2021.

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

² Calculated by dividing total personal income by population.

2014	2015	2016	2017	2018	2019
38,587	38,904	39,149	39,338	39,437	39,438
0.9%	0.8%	0.6%	0.5%	0.3%	0.0%
318,386	320,739	323,072	325,122	326,838	328,330
0.7%	0.7%	0.7%	0.6%	0.5%	0.5%
\$ 2,021,036	\$ 2,172,930	\$ 2,273,558	\$ 2,383,131	\$ 2,514,503	\$ 2,632,280
7.1%	7.5%	4.6%	4.8%	5.5%	4.7%
\$ 14,982,715	\$ 15,717,140	\$ 16,151,881	\$ 16,937,582	\$ 17,839,255	\$ 18,542,262
5.7%	4.9%	2.8%	4.9%	5.3%	3.9%
\$ 52,376	\$ 55,853	\$ 58,074	\$ 60,581	\$ 63,759	\$ 66,745
6.2%	6.6%	4.0%	4.3%	5.2%	4.7%
\$ 47,058	\$ 49,003	\$ 49,995	\$ 52,096	\$ 54,581	\$ 56,474
4.9%	4.1%	2.0%	4.2%	4.8%	3.5%
18,941	18,996	19,099	19,319	19,534	18,743
17,600	17,894	18,141	18,515	18,740	16,104
1,341	1,102	957	804	794	2,640
7.1%	5.8%	5.0%	4.2%	4.1%	14.1%
6.2%	5.3%	4.9%	4.4%	3.9%	3.7%

Schedule of Employment by Industry

For Calendar Years 2010 and 2019

Industry	2010		2019	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Services	6,200,600	42.1 %	8,141,500	45.4 %
Government				
Federal	268,400	1.8	248,200	1.4
Military	61,000	0.4	62,700	0.3
State and Local	2,180,000	14.8	2,349,200	13.1
Retail trade	1,516,500	10.3	1,657,800	9.3
Manufacturing	1,247,800	8.5	1,326,800	7.4
Information, finance, and insurance	941,000	6.4	1,100,900	6.1
Construction and utilities	617,800	4.2	941,700	5.3
Wholesale trade	629,200	4.3	691,800	3.9
Transportation and warehousing	409,000	2.8	647,700	3.6
Farming	382,900	2.6	422,700	2.4
Real estate	248,400	1.6	302,300	1.7
Natural resources and mining	24,600	0.2	22,500	0.1
Total	14,727,200	100.0 %	17,915,800	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
	2011	32,535	138,017	48,638	23,611	17,043	44,844	67,272	371,960
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319

Fiscal Year	General Government ¹	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing ¹	Transportation ¹	Corrections and Rehabilitation	Total
	2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680
2017	44,844	154,479	41,350	23,880	5,153	38,375	53,662	361,743
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520
2019	44,989	164,337	40,761	24,447	5,644	39,670	57,140	376,988
2020	45,028	166,059	41,965	25,410	5,876	40,316	57,812	382,466

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

	2011	2012	2013	2014
General Government				
State Lottery				
Total revenue ¹	\$ 3,439	\$ 4,371	\$ 4,446	\$ 5,035
Allocation to Education Fund ¹	\$ 1,103	\$ 1,300	\$ 1,262	\$ 1,328
Judicial Council of California				
Supreme Court ^{2,9}				
Cases filed	10,329	9,232	8,029	7,907
Cases disposed	10,196	9,720	8,492	7,774
Courts of Appeal ⁹				
Notices of appeal filed ³				
Civil	6,258	6,505	6,052	5,983
Criminal	6,877	6,387	6,004	6,373
Juvenile	2,106	2,830	2,713	2,857
Trial Courts ⁹				
Total civil cases ⁴				
Filings	1,572,623	1,458,898	1,358,481	1,264,983
Dispositions	1,591,033	1,436,658	1,327,078	1,216,185
Department of Food and Agriculture				
Milk production (million lbs.) ^{5,9}	41,462	41,801	41,256	42,339
Farm land (thousand acres) ⁵	25,600	25,600	25,300	25,200
Education				
Public Colleges and Universities				
Fall enrollment ⁹				
Community Colleges	1,655,072	1,582,302	1,582,452	1,578,778
California State University	426,534	436,560	446,530	460,200
University of California	236,691	238,617	244,126	252,263
K-12 Schools				
Fall enrollment ⁹				
Public	6,217,002	6,220,993	6,226,989	6,236,672
Private	515,143	497,019	516,119	511,286

Sources: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; and Franchise Tax Board.

Note: This schedule presents data available as of June 2021.

¹ Dollars in millions.

² Includes death penalty cases, habeas 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 2020 is projected.

N/A = Not Available

	2015	2016	2017	2018	2019	2020
\$	5,525	\$ 6,276	\$ 6,233	\$ 6,966	\$ 7,388	\$ 6,622
\$	1,364	\$ 1,563	\$ 1,499	\$ 1,665	\$ 1,825	\$ 1,437
	7,860	8,081	7,317	6,812	6,894	N/A
	7,549	7,951	6,992	6,759	7,098	N/A
	6,062	5,935	5,975	6,002	5,697	N/A
	7,113	6,714	5,593	5,221	5,577	N/A
	3,036	3,025	3,029	3,068	3,332	N/A
	1,145,892	1,148,205	1,198,076	1,235,568	1,251,700	N/A
	1,118,443	1,031,105	1,115,470	985,039	1,079,372	N/A
	40,897	40,469	39,798	40,404	40,595	41,282
	24,900	24,800	24,500	24,300	24,300	24,300
	1,593,894	1,591,274	1,595,897	1,591,684	1,569,502	1,305,370
	474,571	478,638	484,297	481,210	481,929	485,550
	257,438	270,112	278,996	286,271	285,216	285,862
	6,235,520	6,226,737	6,228,235	6,220,413	6,186,278	6,163,001
	503,295	500,543	490,966	488,854	495,525	483,200

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2011	2012	2013	2014
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births ^{5,9,10}	502,023	503,788	494,392	502,973
Department of Social Services				
Calfresh programs households (avg. per month).....	1,576,042	1,757,387	1,898,283	2,004,016
Employment Development Department				
Number of employed ^{5,6,9}	14,614,600	15,240,400	16,109,200	16,062,300
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold ^{5,9}	2,484,667	2,581,840	2,540,439	2,491,578
Hunting licenses sold ^{5,9}	1,864,005	1,989,196	2,033,573	1,980,655
California Energy Commission				
Electrical energy generation plus net imports (gigawatt hours) ⁹	293,775	302,180	296,259	296,150
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax ^{5,9}				
Number of tax returns filed.....	15,042,359	15,152,800	15,487,100	15,877,000
Taxable income ¹	\$ 838,347	\$ 948,523	\$ 949,655	\$ 1,064,347
Total tax liability ¹	\$ 43,921	\$ 58,652	\$ 55,679	\$ 66,583
Corporation Tax ^{5,9}				
Number of tax returns filed.....	754,315	784,086	801,045	828,080
Income reported for taxation ¹	\$ 93,456	\$ 96,772	\$ 101,913	\$ 122,976
Total tax liability ¹	\$ 7,808	\$ 6,921	\$ 7,166	\$ 8,593
Transportation				
California Highway Patrol				
Total number of DUI arrests ⁵	86,901	79,993	76,860	73,425
Department of Motor Vehicles				
Motor vehicle registration ^{5,9}	31,802,483	31,946,422	32,903,847	33,550,486
License issued by age ^{5,7,9}				
Under age 18	227,069	224,809	221,385	223,024
Between 18-80	23,150,222	23,462,971	23,824,697	24,195,705
Over age 80	579,207	602,508	597,350	595,739
Department of Transportation				
Highway center-line miles – rural ^{5,8,9}	10,780	10,784	10,315	10,312
Highway center-line miles – urban ^{5,8,9}	4,353	4,363	4,789	4,787
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year ...	147,181	132,768	134,333	134,431
Division of Juvenile Justice				
Institution population at June 30 each year	1,263	922	712	675

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
491,789	488,925	471,806	454,244	446,548	448,758
2,102,031	2,130,583	2,032,818	1,979,526	1,782,500	2,249,323
16,474,800	16,904,100	17,240,200	17,594,500	17,853,100	16,547,900
2,485,400	2,508,490	2,502,863	2,498,077	2,371,800	2,780,355
2,131,655	2,143,146	2,143,026	2,113,888	2,043,323	2,403,174
295,930	290,792	292,083	285,675	277,933	272,576
16,257,600	16,547,100	16,868,000	17,074,000	17,524	N/A
\$ 1,107,474	\$ 1,154,906	\$ 1,254,483	\$ 1,352,592	\$ 1,406,487	N/A
\$ 68,498	\$ 71,348	\$ 79,927	\$ 86,902	\$ 89,690	N/A
865,593	900,358	936,211	974,652	N/A	N/A
\$ 140,534	\$ 129,452	\$ 127,290	\$ 172,954,424	N/A	N/A
\$ 9,235	\$ 9,276	\$ 8,822	\$ 11,624,928	N/A	N/A
65,016	60,202	58,195	60,336	65,765	55,478
34,346,325	35,310,563	35,391,347	35,707,821	35,805,757	N/A
221,250	225,569	219,572	213,402	215,084	N/A
25,089,910	25,639,270	26,078,773	26,275,559	26,439,138	N/A
603,691	619,807	659,530	647,831	650,998	N/A
10,407	10,259	10,259	10,259	10,510	N/A
4,685	4,833	4,833	4,833	4,547	N/A
127,815	129,415	130,263	127,709	124,027	95,432
681	690	638	629	720	782
					(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2011	2012	2013	2014
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment	809	804	792	747
Square footage of structures (in thousands)	466	466	455	455
Department of Justice				
Vehicles and mobile equipment	677	531	527	520
Department of Military				
Vehicles and mobile equipment	249	233	211	211
Square footage of structures (in thousands)	3,530	3,511	3,623	4,019
Department of Veterans Affairs				
Veterans homes	6	6	8	8
Vehicles and mobile equipment	132	143	267	285
Square footage of structures (in thousands)	2,086	2,086	2,488	2,543
Education				
California State University				
Vehicles and mobile equipment	4,415	4,326	4,467	4,555
Campuses	23	23	23	23
Square footage of structures (in thousands)	71,287	73,785	73,866	73,316
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	818	789	632	424
Developmental centers	5	5	4	4
Square footage of structures (in thousands)	5,294	5,294	5,279	5,308
Department of State Hospitals ¹				
Vehicles and mobile equipment	709	718	699	886
State hospitals	5	5	7	7
Square footage of structures (in thousands)	6,331	6,336	6,457	6,460

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of June 2021.

¹ In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

2015	2016	2017	2018	2019	2020
747	752	677	823	633	780
455	455	462	384	384	384
520	484	511	509	495	485
211	217	218	261	221	241
3,977	3,965	3,954	3,770	3,268	3,254
8	8	8	8	8	8
285	235	280	292	247	276
2,541	2,541	2,552	2,552	2,536	2,541
4,619	4,945	4,838	5,216	5,246	5,397
23	23	23	23	23	23
73,988	75,292	75,786	76,227	76,969	78,447
571	640	559	616	600	490
3	3	3	3	2	2
4,699	3,664	3,664	3,595	3,578	2,321
752	678	674	728	820	969
7	8	5	5	5	5
6,445	6,445	5,944	5,944	6,425	6,433

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2011	2012	2013	2014
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	3,180	3,012	2,896	2,954
Square footage of structures (in thousands)	1,313	1,317	1,317	1,311
Department of Forestry and Fire Protection				
Vehicles and mobile equipment	2,804	2,810	2,845	2,748
Square footage of structures (in thousands)	3,943	3,935	3,641	3,632
Department of Parks and Recreation				
Vehicles and mobile equipment	3,715	4,200	3,311	3,489
State Parks	279	280	280	279
Acres of state park land (in thousands)	1,334	1,333	1,590	1,590
Square footage of structures (in thousands)	6,433	6,623	6,598	6,751
State Lands Commission				
Vehicles and mobile equipment	50	42	42	41
Acres of land (in thousands)	4,491	4,491	4,489	4,489
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	578	574	518	554
Department of General Services				
Vehicles and mobile equipment	5,670	4,991	5,226	5,053
Square footage of structures (in thousands)	18,602	19,180	19,098	19,367
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,337	5,013	5,341	5,170
Square footage of structures (in thousands)	1,135	1,149	1,149	1,166
Department of Motor Vehicles				
Vehicles and mobile equipment	366	366	294	295
Square footage of structures (in thousands)	1,842	1,842	1,842	1,845
Department of Transportation				
Vehicles and mobile equipment	12,759	12,690	11,767	11,596
Square footage of structures (in thousands)	6,519	8,131	8,170	7,960
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment	5,985	5,952	5,156	5,137
Prisons and juvenile facilities	39	39	37	37
Square footage of structures (in thousands)	41,399	41,399	40,606	40,726

2015	2016	2017	2018	2019	2020
2,954	3,104	3,126	2,970	3,266	3,334
1,311	1,297	1,322	1,322	1,333	1,333
2,748	3,151	3,073	3,115	3,144	3,090
3,664	3,666	3,677	3,640	3,626	3,654
3,489	3,538	3,542	3,804	3,571	3,794
280	280	280	280	280	280
1,605	1,605	1,617	1,619	1,618	1,641
6,761	6,790	7,363	7,360	7,544	7,554
41	41	43	48	42	43
4,482	4,480	4,480	4,480	4,480	4,480
554	588	596	600	622	671
5,053	4,697	4,476	4,465	4,552	4,664
19,448	19,311	19,487	19,565	19,490	20,267
5,170	5,167	5,336	4,912	4,946	4,807
1,169	1,211	1,191	1,182	1,199	1,301
295	287	276	283	266	314
1,786	1,780	1,777	1,785	1,785	1,785
11,596	11,776	11,585	11,494	11,483	11,449
7,965	7,968	7,960	7,933	8,074	8,096
5,968	5,291	8,079	7,571	7,139	7,312
39	39	40	39	39	39
40,590	40,485	42,198	42,209	42,605	42,936

(concluded)

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