

CALTAX RESEARCH: BEYOND THE WALL OF DEBT: DETAILING CALIFORNIA'S DEBT AND UNFUNDED LIABILITIES

California state and local governments face more than \$443 billion in outstanding liabilities from borrowing, deferrals, and other unfunded financial obligations.

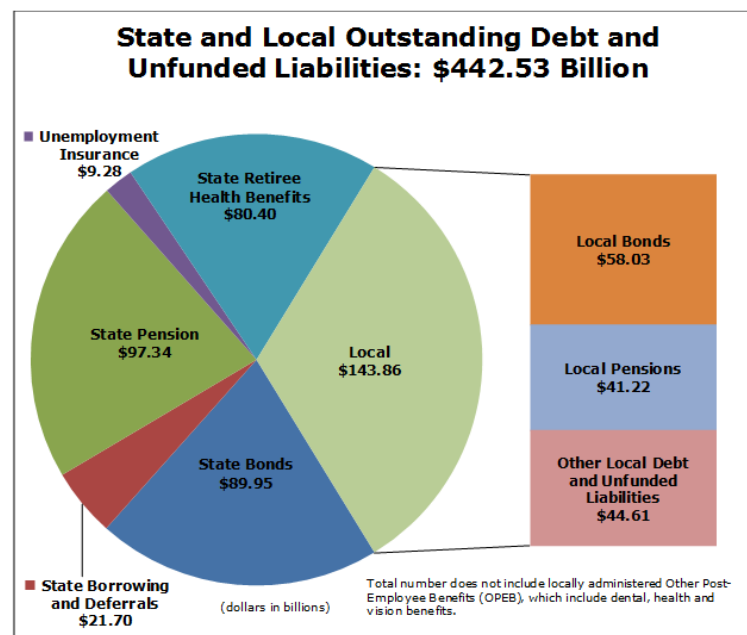
Using the most recent reports published by the state controller, state treasurer, the California Department of Finance and the Employment Development Department, CalTax tabulated state and local debt and unfunded liabilities to determine the size of the financial obligation that California faces.

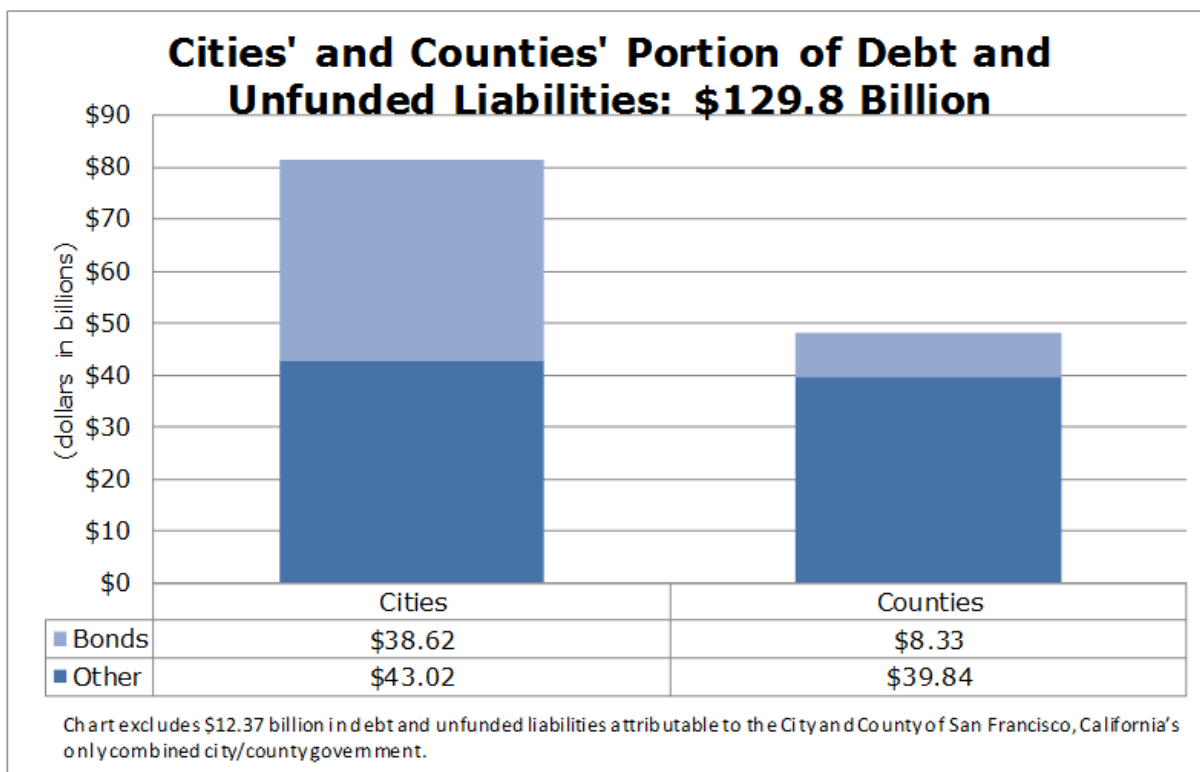
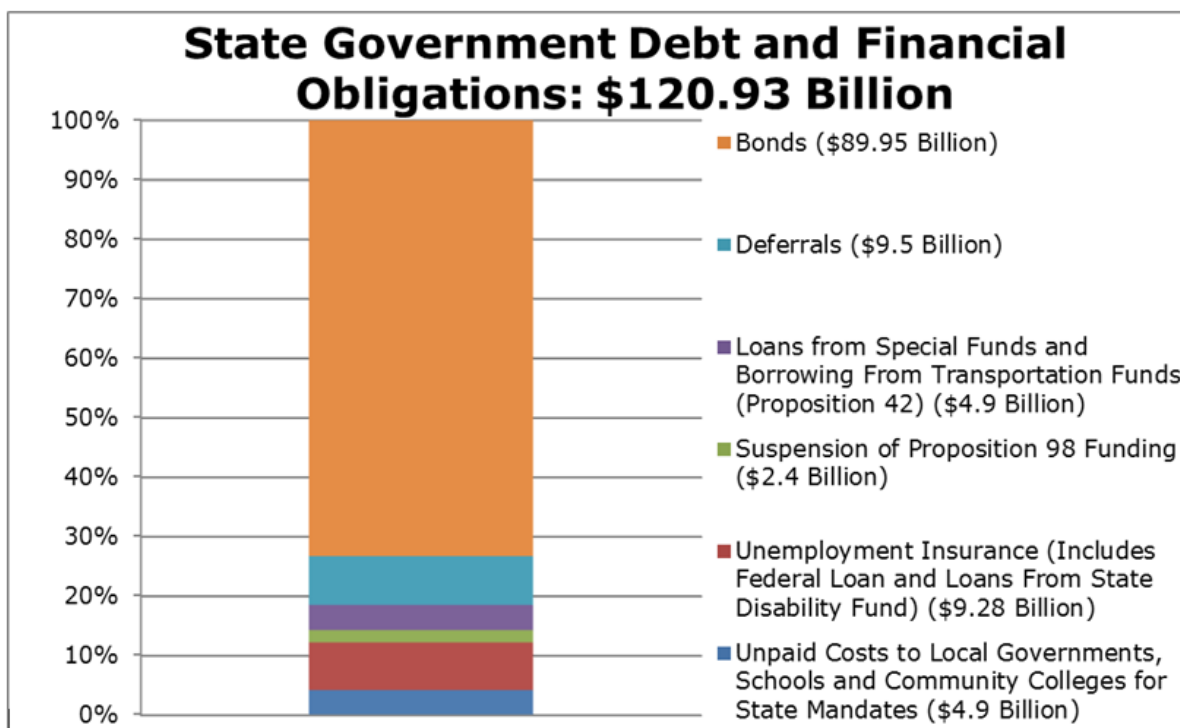
CalTax found:

- California has \$443 billion in total quantifiable state and local debt and unfunded liabilities.
- Local governments owe more than \$144 billion on borrowing and unfunded liabilities, not including K-12 school districts and total unfunded liabilities for local retiree benefits.
- The financial obligation equates to more than \$11,600 per Californian (U.S. Census Bureau, [Quick Facts](#)).

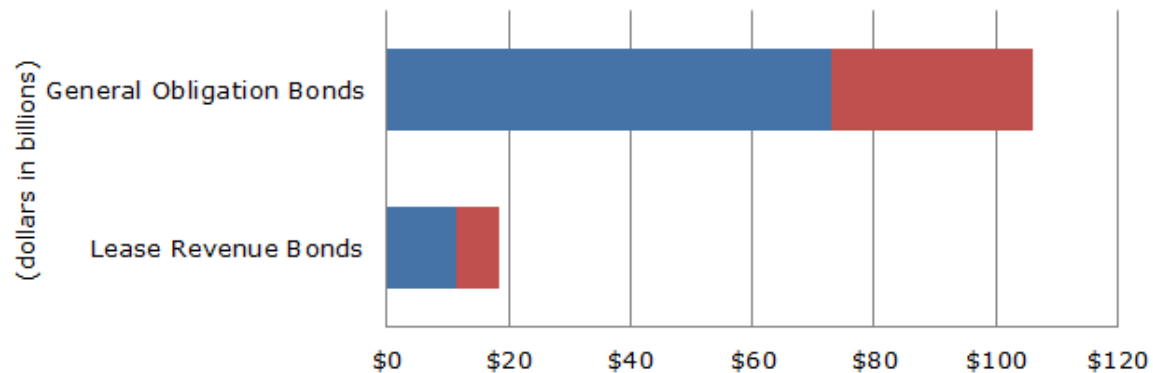
The total liabilities may be much higher than the amount tabulated by CalTax but information is not available to identify a significant amount of California's other debt and unfunded liabilities. Our calculations do not account for interest accrued after the cited reports were issued, as much of this is dependent on market forces that dramatically affect how much California state and local governments owe on bonds and loans. Extended payment schedules may significantly increase the size of state and local debt. In addition, due to a lack of information available, our calculations do not incorporate any data on school districts' outstanding debt from school bonds.

The following graphs and data table detail the components and magnitude of the debt and unfunded liabilities facing Californians.ⁱ



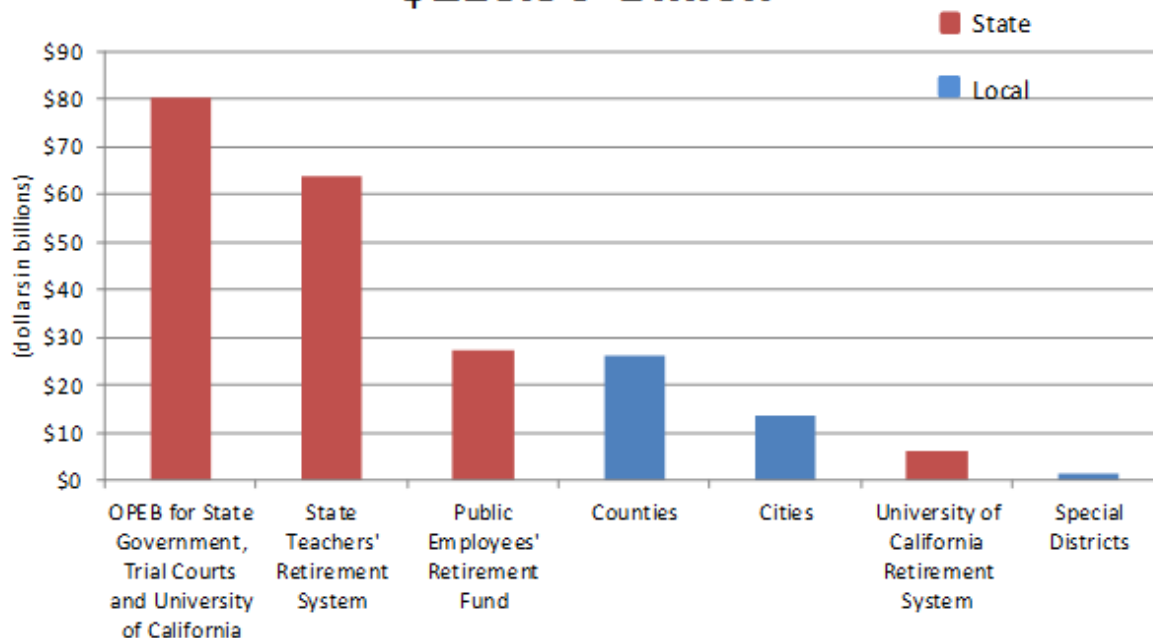


General Fund Supported State Bonds, Outstanding and Unissued: \$124.65 Billion



	Lease Revenue Bonds	General Obligation Bonds
■ Outstanding	\$11.33	\$73.06
■ Authorized but Unissued	\$7.19	\$33.07

Retiree Benefits Unfunded Liability: \$218.96 Billion



Total number does not include locally administered Other Post-Employee Benefits (OPEB), which include dental, health and vision benefits.

Beyond the Wall of Debt September 2013				
Jurisdiction	Subject	Description	Amount ⁱⁱ	Total
State	Borrowing and Deferrals	Deferred Payments to Schools and Community Colleges	\$6,400,000,000	\$298,673,100,432
		Loans From Special Funds	\$4,600,000,000	
		Unpaid Costs to Local Governments, Schools and Community Colleges for State Mandates	\$4,900,000,000	
		Suspension of Proposition 98 Funding	\$2,400,000,000	
		Deferred Medi-Cal Costs	\$2,000,000,000	
		Deferral of State Payroll Costs From June to July	\$700,000,000	
		Deferred Payments to CalPERS ⁱⁱⁱ	\$400,000,000	
		Borrowing From Transportation Funds (Proposition 42)	\$300,000,000	
	Unemployment Insurance	Loan From the Federal Government	\$8,671,409,432	
		Loans From State Disability Insurance Fund to Pay Interest on Federal Loan ^{iv}	\$611,700,000	
	Bonds ^v	General Obligation Bonds	\$73,060,000,000	
		Lease Revenue Bonds	\$11,330,000,000	
		California Water Resources Development General Obligation Bonds	\$360,000,000	
		Economic Recovery Bonds	\$5,200,000,000	
	Pension ^{vi}	Public Employees' Retirement Fund	\$27,196,000,000	
		State Teachers' Retirement System	\$63,840,000,000	
		University of California Retirement System	\$6,308,991,000	
	Retiree Health Benefits	State Government Administered OPEB	\$63,837,000,000	
		Trial Courts OPEB	\$1,368,000,000	
		University of California OPEB	\$15,190,000,000	
Local School Bonds		Elementary	Unknown ^{vii}	
		High School		
		Unified		
City	Bonds	General Obligation Bonds	\$2,841,379,000	\$81,637,547,000
		Revenue Bonds	\$27,420,946,000	

		Pension Obligation Bonds	\$1,556,214,000	
		Certificates of Participation	\$107,599,000	
		Other Special Debt - Includes Community Facility District Bonds, Mello-Roos Bonds and Marks-Roos Bonds	\$4,300,000,000	
	Special Assessment Act Bonds	1911 Improvement Act Bonds	\$1,037,000	
		1915 Improvement Act Bonds	\$2,193,628,000	
		Other Improvement Act Bonds	\$195,265,000	
	Other	Lease Obligations (Principal and Interest)	\$25,521,269,000	
		Construction Financed by State and/or Federal Governments	\$2,183,873,000	
		Notes	\$871,993,000	
		Loans	\$482,119,000	
		Notes, Loans and Other Payables	\$424,233,000	
		Pensions	\$13,537,992,000	
County	Bonds	General Obligation Bonds	\$365,563,589	\$48,166,608,943
		Revenue Bonds	\$1,287,646,363	
		Pension Obligation Bonds	\$6,305,044,234	
		Special Assessment Act Bonds	\$368,783,338	
		Improvement Districts Bonds	\$746,008	
	Other	Federal Construction Loans	\$4,432,077	
		State Construction Loans	\$20,635,418	
		Other Long-Term Debt Schedule	\$3,562,374,742	
		Lease Obligations	\$10,138,222,174	
		Pensions	\$26,113,161,000	
Successors to Redevelopment Agencies	Bonds	Tax Allocation Bonds	\$20,771,561	\$30,255,065
		Revenue Bonds	\$1,261,680	
	Other	City/County Loans/Advances	\$3,994,525	
		All Other Debt	\$4,227,299	
Special Districts	Bonds	General Obligation Bonds	\$4,204,158	\$1,650,479,842
		Revenue Bonds	\$51,376,755	
	Other	Certificates of Participation	\$16,344,065	
		Federal Contracts	\$423,490	

		State Contracts	\$1,579,993	
		Time Warrants	\$337,279	
		Miscellaneous	\$6,369,102	
		Special Districts Pensions	\$1,569,845,000	
Other Unfunded Liabilities		Local Government OPEB	Unknown ^{viii}	
		School District Pensions	\$2,566,000	\$4,577,000
		County of San Diego In-Home Supportive Services (IHSS) Public Authority Pension Plan, the Housing Authority of the County of Tulare Defined Contribution Pension Plan, the Public Agency Retirement System (PARS) Participant Directed Investment Program Trust, the Public Agency Retirement System (PARS) Defined Benefit Plans, the Public Agency Retirement System (PARS) Defined Contribution Plan, the San Diego Housing Commission Money Purchase Pension Plan and the San Diego Housing Commission Pension Plan	\$2,011,000	
City and County of San Francisco	Bonds	Revenue Bonds	\$9,124,807,000	\$12,366,592,000
		General Obligation Bonds	\$1,606,170,000	
		Lease Revenue Bonds	\$274,467,000	
	Other	Certificates of Participation	\$895,892,000	
		Loans	\$13,878,000	
		Capital Leases	\$26,033,000	
		Commercial Paper and Others	\$381,284,000	
		State of California - Revolving Fund Loans	\$36,898,000	
		Notes, Loans and Other Payables	\$7,163,000	

Total Debt and Unfunded Liabilities: **\$442,529,160,281**

Sources:

California Department of Finance, [California State Budget 2013-14](#), June 27, 2013.^{ix}

Employment Development Department, [May 2013 Disability Insurance Fund Forecast](#).

United States Department of Labor: Employment & Training Administration, [Trust Fund Loans: Outstanding Loans from the Federal Unemployment Account as of August 16, 2013](#).

California State Controller's Office, [Comprehensive Annual Financial Report](#), March 26, 2013; [Cities Annual Report](#), September 11, 2012; [Public Retirement Systems Annual Report](#), May 22, 2013; [Counties Annual Report](#), August 1, 2012; [Community Redevelopment Agencies Annual Report](#), May 1, 2012; [Special Districts Annual Report](#), May 22, 2013.

California State Treasurer's Office, [Debt Affordability Report](#), October 2012.

City and County of San Francisco Controller's Office, [*Comprehensive Annual Financial Report*](#), June 30, 2012.

- i. Amounts reported do not include interest accruals, nor changes to unfunded liabilities due to legislative action or fluctuations in investment returns. Estimates were taken from the most current date available, causing time periods to differ for some subjects.
- ii. When state agencies offered different numbers for the same subject, CalTax used the more conservative estimate.
- iii. Represents the state's delay in paying the fourth quarter employer contributions for employee retirement. It is unknown if this amount includes a contribution toward the unfunded pension liability.
- iv. Interest paid on the federal loan was borrowed from the state disability fund: \$303.5 million for the interest payment made on September 30, 2011, and \$308.2 million loan for the interest payment made on September 30, 2012. The Employment Development Department expects that California will owe \$261.5 million on September 30, 2013, which is scheduled to come from the state's general fund, pursuant to the state's 2013-14 state budget.
- v. This report accounts only for the total dollar amount of bonds that have been issued. While the state has received authorization from the voters to issue additional bonds, it has yet to act on this authorization. In the event that the state does issue all currently authorized bonds, the state would incur an additional \$40.26 billion in debt.
- vi. Unfunded pension and retiree benefit liabilities reported here are based on the agency's estimate of its rate of return on investment (ROI). Both the California Public Employees' Retirement System and the California State Teachers' Retirement System assumed a 7.5 percent ROI. However, studies conducted by independent organizations report a higher unfunded liability based on a lower ROI estimate. Also, retirement fund liabilities exclude retiree healthcare benefits, which are separately stated.
- vii. This number is unknown because no government agency tracks the cumulative amount of outstanding debt for local school districts.
- viii. No comprehensive report of current local governments' unfunded retiree healthcare liabilities is available.
- ix. The numbers from the governor's budget are a projection of the amount outstanding at the end of fiscal year 2012-13, as of the 2013 Budget Act.