



**FIONA MA, CPA
TREASURER
STATE OF CALIFORNIA**

January 2022

Dear Friends:

I ended last year's message with "Stay safe and look forward to getting back to a more stable life in 2021." Unfortunately, "stability" was not to be had in 2021. However, I'm proud that **California remains the 5th largest economy in the world** due to our collective ingenuity, resilience, entrepreneurial spirit and our positive and optimistic attitude as we continue to battle COVID-19, the Delta variant and now Omicron.

We have been "open for business" every day and did not skip a beat. My entire team at the State Treasurer's Office (STO) stepped up and went above and beyond to assist our constituents.

Key Accomplishments:

The California FY 2021-2022 Budget act provided immediate relief to families. As of November 2, 2021, **over \$7.2 billion in Golden State Stimulus Payments** cleared our **Centralized Treasury and Securities Management Division (CTSMC)** that went to help low to middle-class families facing a hardship due to COVID-19.

To assist small businesses, our office **participated in over 200 zoom webinars** alerting and preparing individuals, nonprofits, and business owners about the programs offered by my office and the State of California - presentations covered California's \$4 billion Small Business COVID-19 Relief Grant program; agriculture resources; job training and technical assistance programs; financial abuse for older adults, and the many programs offered by the U.S. Small Business Administration, most notably the Paycheck Protection Program (PPP), the Economic Injury Disaster Loan (EIDL), and the recent Restaurant Revitalization Fund.

In 2021, my Constituents Affairs team **responded to more than 600 constituent queries** and requests for assistance and helped navigate Californians struggling to recover from COVID-19 by accessing new statewide programs, including the Housing Is Key Rental Assistance Program, the California Small Business COVID-19 Relief Grant Program and the Golden State Stimulus.

Bond Activities:

During 2021, our **Public Finance Division (PFD)** served as agent for sale on over \$25.1 billion of new money and refunding bonds. See Page 5 for the bonds sold in 2021. **Since I took office in January 2019, we have sold \$14.5 billion of general obligation refunding bonds that will save the General Fund \$5.2 billion over the next 20 years.**

Milestone Event:

In July of 2021, we saw a record budget surplus of about \$85 billion, including over \$27 billion in nonrecurring federal COVID-19 relief funds, which we believe was the largest single infusion of cash in California State history. In a normal year, approximately \$2.5 trillion in banking transactions come through our office. With the pandemic-related transactions over the past fiscal year, the amount increased to **over \$3.2 trillion processed by CTSMD.**

Data Collection and New Program:

Since 1982, the California Debt and Investment Advisory Commission (CDIAC) has been tracking and reporting on debt issue activity by the state and local governments in California. Today, **CDIAC maintains records on nearly 70,000 issuances of debt of more than 3,000 state and local agencies across the state**, from more than 16,000 separate data reporting sessions. This number is expected to grow by as many as 2,500 per year for the next few years. Clearly, technology plays an enormous role in the submission process and preparing the data for distribution to the public. We thank our **Information Technology Division** for their hard work and commitment to continuous process improvements, especially during the past two years.

There are approximately 4,400 local government units in California. About 60-70% of them issue some kind of debt. As a former local elected official, I know how important it is to equip elected officials and decision makers with educational tools to carry out our financial responsibilities. In October, to coincide with National Economic Education Month, CDIAC launched the first four **“Elect>Ed” online training modules** to educate elected leaders on the complex and critically important process of public debt financing. Five additional modules are under development and expected to be released over the next 12-18 months. We thank the steering committee of subject matter experts who helped shape the contents of our training modules. The “Elect>Ed” curriculum can be accessed online at <https://edportal.treasurer.ca.gov>.

5 Main Platforms:

In addition to the aforementioned notables, we continued to set high goals and hit many new milestones in our five (5) main platforms: **Health & Education, Jobs, Housing, Environment, and Financial Wellness.**

HEALTH AND EDUCATION

As California’s health facilities the devastating effects of the COVID-19 pandemic, the **California Health Facilities Financing Authority (CHFFA)**, which I chair, experienced a very busy year in 2021. CHFFA issued billions of dollars in debt financing to expand, renovate, and equip facilities, as well as to refund existing debt at very low rates for considerable savings.

- CHFFA approved tax-exempt conduit revenue bonds to the following health facilities: Stanford Hospital, Lucile Salter Packard Children’s Hospital, Children’s Hospital of Orange County, and Cedars-Sinai Health System.
- CHFFA’s HELP II Loan Program was set up to help small and rural health facilities obtain low interest rate loans to purchase or construct new facilities, remodel or renovate existing facilities, purchase equipment or furnishings, and refinance existing debt. During 2021, CHFFA approved loans through this program to Dientes Community Dental Care and Santa Cruz Community Health

Centers, both in Santa Cruz; the Gateway Center of Monterey County; and Hazel Hawkins Memorial Hospital, in San Benito County.

- CHFFA continued to approve grants to California's children's hospitals through three voter-approved initiatives using proceeds of general obligation bonds totaling \$3.2 billion, to improve the health and welfare of California's critically ill children. In 2021, CHFFA approved grants to Children's Hospital Los Angeles; University of California, San Francisco Medical Center; and Valley Children's Hospital.
- On April 29, 2021, CHFFA approved a total of \$15.7 million in grants for nine counties to expand children and youth mental health services in 11 counties: Contra Costa, Del Norte, Humboldt, Los Angeles, Riverside, Sacramento, San Luis Obispo, San Mateo, Santa Cruz, Trinity, and Tulare.
- CHFFA was named the administrator of a new state loan program called the Nondesignated Public Hospital Bridge Loan Program. This program provides up to \$40 million in General Fund working capital loans to 33 eligible non-designated public hospitals that provide significant levels of care to the uninsured and Med-Cal populations.

On the legislative front, **Assemblymember Evan Low authored AB 789** which requires health facilities and clinics that provide outpatient primary care services in California to offer voluntary screenings for Hepatitis B and C and provide persons testing positive with follow-up health care and treatment or offer referrals for care and treatment. I'd like to thank Governor Newsom for signing this important bill and for his unwavering support for our San Francisco Hep B Free initiative when he was the San Francisco Mayor.

The **California Educational Facilities Authority (CEFA)** is a conduit financing agency of the State of California, created by legislation in 1972 to provide tax-exempt financing to private non-profit higher educational facilities in California. This year has been fruitful for CEFA and its borrowers:

- During 2021, CEFA approved refunding bonds to help Chapman University (located in Orange, California), save approximately \$13.8 million over the life of the refunding bonds.
- CEFA issued bonds for Stanford University to acquire, construct, expand, rehabilitate, and remodel existing facilities. With these bonds, Stanford became the first university in the nation to issue bonds with both Sustainability Bond and Climate Bond certifications.
- CEFA's College Access Tax Credit Fund (CATCF) provides a tax credit to taxpayers and businesses that contribute to **Cal Grants**, the State of California's largest source of educational financial aid for undergraduates in need, vocational training, and teacher certification programs. CATCF received related contributions of approximately \$808,000 in 2019 and approximately \$957,250 in 2020.

The **California School Finance Authority (CSFA)** team was extremely busy in 2021, **navigating a new world order due to COVID** while maintaining its commitments to existing programs, adhering to best practices and developing new and innovative programs.

- CSFA developed a brand new, innovative Tax and Revenue Anticipation Notes (TRANs) program in the Spring of 2021 to assist public schools and community college districts in the wake of planned deferrals of state aid attributable to FY 2020-2021 as a response to the COVID-19 induced turmoil in the U.S. economy. **This funding helped districts avoid budgetary cash flow issues and helped**

smaller districts borrow at materially lower costs. The three programs supported 24 elementary, high school, and community college districts, 16 school districts and 62 charter schools.

- CSFA successfully closed 16 short and long-term conduit financings totaling over \$847 million. These financings included a \$13.8 million financing for the all-girls high school, Girls Athletic Leadership School (GALS), in the San Fernando Valley, to finance new school facilities.
- Additionally, CSFA closed a \$68.31 million college housing revenue bond to construct a 352-bed student housing project - **the first ever student housing on the campus of Santa Rosa Junior College**. CSFA was very excited to assist in bringing more affordable housing to community college students and hopes to assist on more of these financings in 2022.
- Leveraging federal grant funds, CSFA also awarded seven federal credit enhancement grants in 2021, totaling \$6.8 million, supporting financings that reached 59,365 students. **These grants are awarded to schools serving students in high-need communities and aid in my commitment to bridging the educational resource gap in California.** The combination of the low-cost bond issuance and the significant grant award to fund the debt service reserves is the unique leveraging of state and federal resources that sets CSFA apart.
- CSFA ensured the timely delivery of program funds to schools that rely on these awards to pay facility costs. CSFA processed nearly 2,000 disbursements, **totaling \$168 million serving over 188,000 students under the SB740 Charter School Facility Grant Program**. CSFA also processed **577 disbursements totaling \$9.5 million** under its federal facility grant program.
- CSFA hosted several virtual webinars, in partnership with **the California Debt and Investment Advisory Committee**. These webinars covered topics such as student housing, budget deferrals, and cashflow management in light of both deferrals and budget surpluses.

JOBS

California experienced an unprecedented and unexpected operating surplus in the FY 2021-2022 Budget; and, the Legislative Analyst (LAO), in its overview of the [Governor's budget for FY 2022-2023](#), estimated an opening surplus of more than \$29 billion.

California's general fund is highly dependent not only on individual income taxes but also sales taxes so keeping high paying quality jobs in California is paramount. We continued to work closely with Governor Newsom's Office of Business and Economic Development (GoBiz) on attracting and maintaining jobs in the areas of finance, high tech, bio tech, advanced manufacturing, aerospace, and the movie industry. In 2022, through our **California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)** Sales Tax Exemption Program, we will be actively focused on supporting California's Lithium Valley, a critical component of zero-emission vehicle batteries and clean energy storage, which will spur investment in geothermal energy production by supporting the extraction of lithium from geothermal brine.

Last month, we jointly applied with the California Infrastructure and Economic Development Bank (Ibank) to the U.S. Treasury's **State Small Business Credit Initiative (SSBCI)**, commonly known as SSBCI 2.0. The SSBCI was originally created through the federal Small Business Jobs Act of 2010 to strengthen state programs that support financing of small businesses. California received \$168 million of the \$1.5 billion which was shared between IBank and our STO's Capital Access Loan Program administered by the California Pollution Control Finance Authority (CPCFA). Under the American Rescue Plan Act of 2021, California is hoping to receive \$1.182 billion (split 50/50 between the IBank and CPCFA) to assist more

small businesses access capital in 2022... so stay tuned.

The Public Finance Division (PFD) of the State Treasurer's Office served as agent for sale on over \$25.1 billion of bonds. **Nearly 41% of the bonds sold were new money bonds will go towards new infrastructure projects here in California, thus creating thousands of new jobs.**

	<u>New Money</u>	<u>Refunding</u>	<u>Total</u>
General Obligation Bonds	\$2,643,745,000	\$4,242,155,000	\$6,885,900,000
State Public Works Board	913,365,000	994,560,000	1,907,925,000
California Earthquake Authority	225,000,000	-	225,000,000
California School Financing Authority	531,305,000	-	531,305,000
California State University	909,755,000	878,565,000	1,788,320,000
Department of Veterans Affairs	-	108,565,000	108,565,000
Department of Water Resources	287,670,000	246,130,000	533,800,000
GSTSC	-	6,461,830,920	6,461,830,920
UC Regents	1,887,210,000	1,036,050,000	2,923,260,000
Conduit	2,878,444,538	859,775,000	3,738,219,538
Grand Total:	\$10,276,494,538	\$14,827,630,920	\$25,104,125,458

HOUSING

The California Tax Credit Allocation Committee (CTCAC)'s Low-Income Housing Tax Credit (LIHTC) program in the STO is a crucial tool for the production and preservation of affordable rental housing. It is effective in leveraging public and private investments and is a major funding source in California for producing and preserving **affordable rental housing**. **I'd like to thank the CTCAC and California Debt Limit Allocation Committee (CDLAC)** teams for stepping up to meet the ongoing, fast paced challenges and for working proactively and effectively with stakeholders to tackle our affordable housing crisis in California.

2021 was another busy year! We thank Governor Newsom for allocating \$500 million in state low income housing tax credits for the third fiscal year in a row. Due to the extra allocations, our bond program was again highly competitive and required more regulatory regulation changes.

In 2021, **CDLAC** (made up of the State Treasurer, the State Controller and the Governor) advanced one of my goals by creating the BIPOC (Black, Indigenous, and People of Color) Pool for developers that are emerging in the industry but do not have the minimum level of experience in the competitive application process.

In 2019, **U.S. Congressman Mike Thompson** successfully passed legislation that provided California with \$100 million (over 10 years) in new federal 9% tax credits which was deployed to 13 fire-ravaged counties in the 2017-2018 wildfires. We are again thankful for the additional \$80.7 million (over 10 years) in 2021 federal 9% tax credits that passed under the Consolidated Appropriations Act (CAA) of 2021 on December 21, 2020 which was earmarked to 22 California counties struck by wildfires in 2020. **CTCAC** adopted regulations on June 15, 2021 to allocate these credits to 39 projects producing 2,345 housing units in those counties.

ENVIRONMENT

In 2021, the **California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)** continued its strong record of support for climate progress, made important strides in advancing equity, and laid the groundwork for future growth. This was the first year that CAEATFA implemented modified Sales and -Use Tax Exclusion (STE) program regulations to prioritize projects located in areas of higher unemployment and to promote job creation, environmental benefits and recycling. With only a \$100 million general fund allocation, the program was again oversubscribed for the third year in a row. In 2021, the Committee approved STE to 31 California manufacturers and recyclers:

- Almost half (48%) of the projects are located in counties with higher-than-average unemployment;
- Providing an estimated \$220 million in net benefits;
- 2/3 of awardees manufacture products that directly support the state's environmental goals including biogas, biofuels, electric vehicle batteries and recyclables;
- Supporting more than 23,000 jobs.

In 2021, The CA Public Utilities Commission (CPUC) authorized up to \$75 Million for CAEATFA to continue to operate the California Hub for Energy Efficiency Financing (CHEEF) programs. Under www.GoGreenFinancing.com, CAEATFA renamed the three programs to better reflect the target audiences to:

- “GoGreen Home” to make homes more efficient and comfortable
 - More than \$10 million in energy efficiency loans were enrolled in 2021 for an all-time total of \$29 million.
 - Saved borrowers more than \$2,100 in interest on average for a 60-month loan
 - Began offering microloans of \$200-\$5,000 online at the point of purchase for energy efficient appliances
- “GoGreen Business” to help businesses save energy and money
- “GoGreen Multifamily” to help affordable housing property owners finance upgrades and retrofits

The CalCAP CARB Heavy-Duty Vehicle Air Quality Loan Program hit a milestone by surpassing 35,000 loans that helped finance the purchase of more than 36,000 cleaner trucks for small business and small fleet owners. This program is run in partnership with the California Air Resources Board and was extended for two more years.

The United States is facing an economic transition, driven in part by the realities of climate change. California is not immune. The state is experiencing increasingly severe climate impacts. Record heat waves, raging wildfires, and punishing drought conditions remain significant challenges for policy makers and all Californians, and threaten our way of life in ways that we do not yet fully understand.

I also recognize that there are parts of this great state that rely on industries such as oil production and refining to support local economies and create good jobs. California companies with social and financial investments in these industries are feeling the inexorable pressure to adapt to a world that is headed toward less reliance on fossil fuels. Local governments in these regions of the state rely on tax revenues derived from this economic activity to pay for essential public services.

None of these things should discourage us. Indeed, with such challenges come opportunities. By keeping our eyes on the prize, we can be assured that California's economy will continue to thrive with its citizens fully participating in the economy. That is why I was honored to be invited to serve on the steering committee, along with representatives of the Governor, of a thoughtful task force that produced a comprehensive report building on a framework of climate related financial disclosure with a focus on implications for the state's direct expenditures (public works, procurement, and other common state department expenditures) and financial portfolios (asset ownership). That report is titled ["DEVELOPING CLIMATE RISK DISCLOSURE PRACTICES FOR THE STATE OF CALIFORNIA."](#)

FINANCIAL WELLNESS

Throughout the past two years, we have seen more Californians saving for education, retirement and for rainy days. We hit many new milestones in our three savings programs.

Scholarshare 529 is California's college savings plan with a mission to help Californians achieve their higher education goals and help our next generation stay out of high student loan debt.

- In 2021, the program saw over \$1 billion in new Scholarshare 529 contributions – the most ever!
- With the passage of **Assembly Bill 340 (Authored by Assemblymember Chris Ward)** which we sponsored, California 529 account owners can use their funds to pay for registered apprenticeship program expenses and student loan repayment free from both federal and state tax.
- In 2021, we welcomed three new Children's Savings Account partners: San Joaquin A+, First 5 Sonoma County, and the City & County of San Francisco.
- This was our fourth year offering a Matching Grant Program which resulted in 1,145 new accounts opened, a 61% increase from the prior year.
- We added 53 new employer partners to our Workplace Savings Program, including 27 public employers, representing an increase of 56% from the prior year.
- We provided families a special offer to commemorate National 529 College Savings Day on May 29th. This yielded 2,533 new account openings, representing an increase of 54% compared to the prior year.

Instead of buying toys or clothes that a child will outgrow, I've been encouraging new parents to open a Scholarshare529 account and send out the Ugift link. E-Gifting continued to show strong growth in 2021, with gifting transactions up 103% from the year before.

It's worth mentioning in a little more detail California's huge commitment to our next generation. The **California Kids Investment and Development Savings Program (CalKIDS)** was created to expand access to higher education through savings. The Scholarshare529 Team is hard at work on launching the program in summer of 2022. **CalKIDS is expected to become the largest children's savings account program in the nation** so kudos to Governor Newsom and the Legislature for this groundbreaking game-changer to helping children, especially those from underserved communities, achieve their higher education aspirations.

- The FY 2019-2020 Budget established CalKIDS with a goal of providing every child born in California with a seed deposit of at least \$25 in a CalKIDS account. The estimate is there are 450,000 born each year. The initial funding was a one-time \$25 million from the state's general fund.
- The 2021-2022 Budget
 - expanded on that investment by adding \$1.8 billion in federal funds and \$107.8 million ongoing general fund support to fund \$500 for all 1st to 12th grade public school students who qualify for free or reduced lunch. Foster youth and homeless students will receive an additional \$500 for a maximum amount of \$1,500.
 - The Budget also included \$16 million in general fund to support deposits for newborns.
- The FY 2022-2023 Budget will provide an additional \$170 million to support deposits for the incoming cohort of first graders and \$5 million dollars to support financial literacy efforts.

CalSavers is the state's groundbreaking retirement savings program for private sector workers that provides a simple, portable retirement savings option and levels the playing field for Californians who don't have access to a retirement plan at work – all at no cost to the state, taxpayers, or employers. The program passed its second of three major milestones for employers and experienced major saver growth in 2021, despite the ongoing challenges of the pandemic. Workers throughout California hit the \$173 million milestone with over 400,000 enrollments as of December 2021. Our CalSavers team has done hundreds of virtual town halls and webinars over the past two years, which have helped to spread the word. Looking ahead to 2022, we expect more rapid growth driven by employers with between 5 to 50 employees, whose registration deadline is June 20, 2022.

CalABLE is California's savings and investment program for individuals with disabilities diagnosed before the age of 26. Working closely with United States Congressman Tony Cardenas, we are hoping to expand ABLE eligibility up to age 46 years old through H.R. 1219. It is estimated an additional 6 million people nationwide will become newly eligible to open an ABLE account if H.R. 1219 passes.

Since its inception three years ago, CalABLE has amassed 7,048 accounts with nearly \$70.5 million in assets under management. At the end of August, CalABLE ranked 4th in active accounts (up from 6th in 2020) and 5th in assets under management (up from 7th in 2020) when compared to all other ABLE programs. We would like to thank our CalABLE Ambassadors (real account holders throughout California) for helping us spread the word.

For the past year, I have been serving as Chair of the ABLE Ad-Hoc Subcommittee of the National Association of State Treasurers (NAST). I am pleased to announce that the ABLE ad-Hoc Subcommittee was voted by the NAST membership to be elevated as an official NAST national network. This effort will expand the reach and authority of ABLE programs and will be modeled after the successful College Savings Plan Network.

CALPERS AND CALSTRS

As an ex-officio voting member of CalPERS and CalSTRS, it was welcome news to hear that investment returns were in the double digits as of FY ending June 30, 2021, despite the Pandemic:

On July 12, 2021, CalPERS

- Reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021.
- CalPERS assets at the end of the fiscal year stood at more than \$469 billion.
- The 21.3% 2020-21 fiscal year return was driven by Private Equity and Public Equity, with net returns of 43.8% and 36.3%, respectively.
- Based on these preliminary fiscal year returns, the funded status of the overall fund is an estimated 82%. This estimate is based on a 7% discount rate.
- The fund should be fully funded by June 30, 2036.

On July 26, 2021, CalSTRS

- Reported a 27.2% net return on investments for the 12-month period that ended June 30, 2021.
- CalSTRS assets at the end of the fiscal year was \$308.6 billion.
- As of June 30, 2021, the CalSTRS Investment portfolio holdings were 49.7% in U.S. and Non-U.S. stocks (Public Equity); 12.3% in Real Estate; 10.4% in Fixed Income; 8.6% in Risk Mitigating Strategies; 12.0% in Private Equity; 3.7% in Inflation Sensitive; 0.5% in Innovative Strategies; and 2.8% in Strategic Overlay and Cash.
- The Fund should be fully funded by 2046.

I am proud to be the 34th California State Treasurer and look forward to many more accomplishments in 2022 and beyond.

In Peace and Friendship,



FIONA MA, CPA
California State Treasurer