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**CALIFORNIA, USA**

# **2022 POPULAR FINANCIAL REPORT**

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# Agenda

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Tip: All data mentioned in this report is supported by credible sources, which can be found at the end of the report for verification (pg. 33)

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# Mayor's Letter



March 15, 2024

*Original signed by*

MALIA M. COHEN



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

## **Introduction and Economic Overview**

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

"I am pleased to submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with generally accepted accounting principles and contains information to help readers gain a reasonable understanding of California's financial activities and condition."

"The ability of the State Controller's Office (SCO) to produce this report is dependent upon the timely receipt of accurate financial statements from every state department. While there is no statutory deadline for publication of the ACFR, its completion satisfies several compliance requirements for the state. The late timing of this year's report is addressed below along with updates to my plan of action addressing this issue going forward."

## **Financial Results and Reporting Delays**

"California's economic recovery from the impacts of the pandemic continued during the fiscal year ended June 30, 2022, as the state ended the year with total General Fund revenues of \$199.2 billion, a \$2.2 billion increase compared to prior fiscal year revenues of \$197.0 billion. General Fund personal income tax revenues experienced a decrease of \$6.2 billion (5.0%), which was offset by increases in sales and use taxes of \$3.7 billion (12.6%) and corporation taxes \$3.7 billion (11.5%). Most notably, the General Fund ended the fiscal year with a \$120.2 billion cash balance, an increase of \$56.3 billion compared to the prior year ending cash balance of \$63.9 billion."

"The ACFR for the fiscal year ended June 30, 2022, will mark the fifth consecutive year that California has published its financial statements well beyond the regulatory deadline of nine months after the fiscal year end. As reported last year, the late publication of the ACFR started when the SCO and departments began transitioning to the Financial Information System of California (FI\$Cal). Although departments have shown significant improvements in the timely and accurate submission of their financial reports, the SCO will continue to support departments in strengthening accounting processes."

# Mayor's Letter



March 15, 2024

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CALIFORNIA STATE CONTROLLER

## Future Improvements and Acknowledgments

"The California State Auditor has reported these conditions in its Internal Control and Compliance Audit Report for several years, in addition to issuing modified opinions on the ACFR for the fiscal years ended June 30, 2020, 2021, and 2022."

"The SCO has taken decisive action to achieve timely and accurate financial reporting for the state, and has established and implemented statewide initiatives that I believe will lead to measurable advancements toward these goals. The SCO began its endeavor to produce the State of California's 2021-22 ACFR in April 2023. It was our intent to publish this ACFR by December 31, 2023. However, the federal government's unanticipated decision to extend the 2022 personal and corporate income tax filing deadlines through November 16, 2023, which was also adopted by California, directly impacted the planned release date. It is important to point out that even with the unprecedented tax filing extensions, the publication time of less than 12 months from the previous ACFR represents the fastest production cycle in recent history. The SCO attributes this progress to our statewide initiatives and the significant personnel and contract resources authorized in the 2023-24 Budget Act."

"The SCO will continue to work earnestly toward the goal of publishing the 2024-25 ACFR in March 2026. The SCO's statewide ACFR process improvement initiative will increase efficiencies and data quality to advance the fiscal integrity of the state into a position to support our continued economic growth. These efforts include establishing an ACFR compilation governance structure, streamlining manual processes, and optimizing technology. The SCO will build upon our work with partner agencies to provide departments the technical assistance and resources needed to accurately and timely submit their financial reports."

"We recognize and appreciate the unprecedented coordination and collaboration with our key stakeholders that is necessary to achieve this goal. I extend my sincere appreciation to all state government agencies for their efforts and cooperation in submitting the information required for the ACFR. Finally, thank you to my State Accounting and Reporting Division for their commitment, dedication, and tireless efforts to complete this complex financial report."  
Sincerely,



## General Data and Context

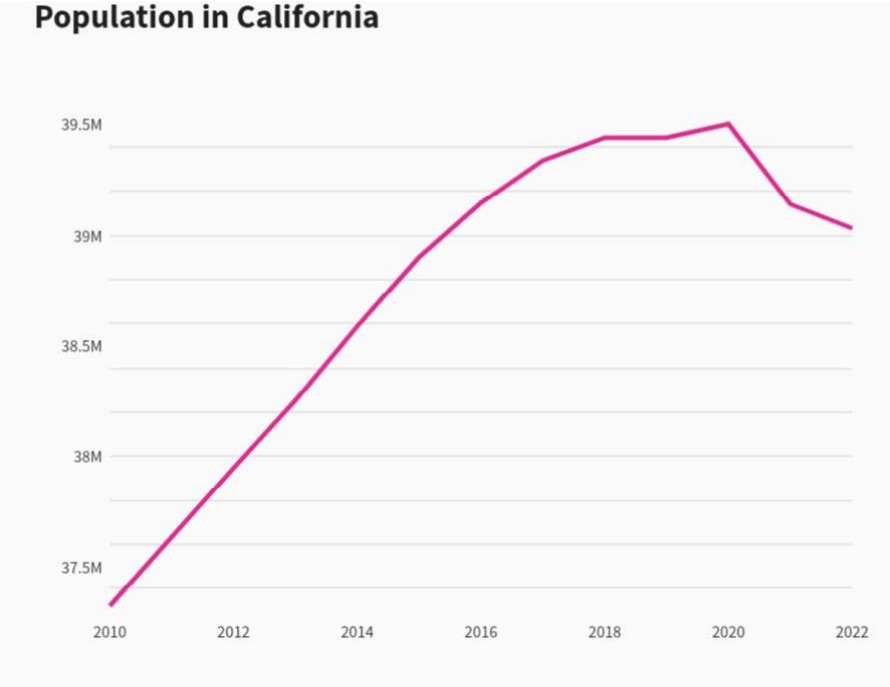
- **Demographics**
- **Immigration**
- **Education**
- **Geography**

# The Changing Landscape of California's Population

## How many people live in California?

California's population grew 4.6% from the 37.3 million people who lived there in 2010. For comparison, the population in the US grew 7.7% during that period.

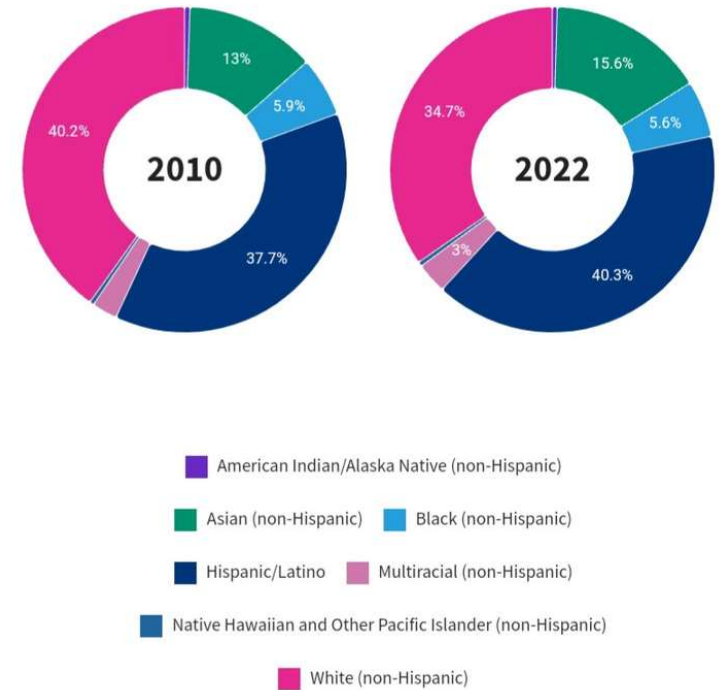
2021	39,247,000	10.5	8.8	1.7
2022	39,146,000	10.8	8.1	2.7
2023	39,109,000	10.5	7.7	2.8
Year	Average population	Crude birth rate (per 1,000)	Crude death rate (per 1,000)	Natural change (per 1,000)



# Shifting Demographics: The Changing Racial and Ethnic Makeup of California (2010-2022)

## How has the racial and ethnic makeup of California changed?

Between 2010 and 2022, California's racial and ethnic makeup became more diverse. The Hispanic/Latino population saw the largest growth, increasing by 2.6 percentage points to 40.3%. In contrast, the White (non-Hispanic) population experienced the largest decrease, dropping by 5.5 percentage points to 34.7%. This shift highlights a growing diversity in the state, particularly with the expansion of the Latino population.



# California's Immigrant Population: Growth, Citizenship Trends, and Cultural Impact

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According to the 2022 American Community Survey, California's immigrant population is over 10 million, accounting for about 27% of the state's residents—double the national average of around 12%. This high immigrant presence places California alongside states like New Jersey (24%), New York (23%), and Florida (22%), which also have substantial foreign-born populations. Furthermore, more than half (54%) of immigrants in California have become naturalized U.S. citizens, a notable increase from 39% in 2000. The remainder largely consists of legal permanent residents, with a smaller portion including temporary residents and undocumented immigrants.

This shift reflects both California's long history as a destination for immigrants and changes in national immigration patterns. California's immigrant communities significantly influence its demographics, economy, and culture, with immigrants coming from diverse regions, including Latin America, Asia, and Europe.

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# Italian-American Heritage in California: Cultural Contributions and Community Impact

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In 2022, California was home to a substantial Italian-American community, with Italian ancestry being one of the more commonly reported backgrounds in the state. Overall, Italians were among the fifth-largest ancestry groups in the United States, with strong representations in states like California, New York, and New Jersey. The U.S. Census Bureau data highlights that the Italian-American population in California is part of a larger national group of around 16 million people of Italian descent across the country. This group includes both American-born individuals and immigrants from Italy.

In California, Italian heritage is celebrated and evident in various cultural events, Italian language programs, and Italian-focused businesses, especially in areas like Los Angeles and San Francisco. Italian immigrants and Italian-Americans have played a significant role in the cultural landscape, contributing to diverse sectors such as the arts, cuisine, and wine production.

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# California Public Higher Education A Glance



## Enrollment

**2,524,209**

Students attend a public college or university in California.



## Coordination

The 1960 Master Plan for Higher Education defines each segment by its mission and admission criteria, but there is currently no oversight body that ensures our higher education systems work together or with K-12.



## Governance

Accomplished through separate boards with various levels of autonomy.

# California Public Higher Education A Glance

## California Community Colleges (CCC)

- 116 Colleges (including one fully online college)
- Open access enrollment
- Governed by Governor-appointed Board of Governors; Board-selected Chancellor; locally elected Board of Trustees; subject to legislative control

## California State University (CSU)

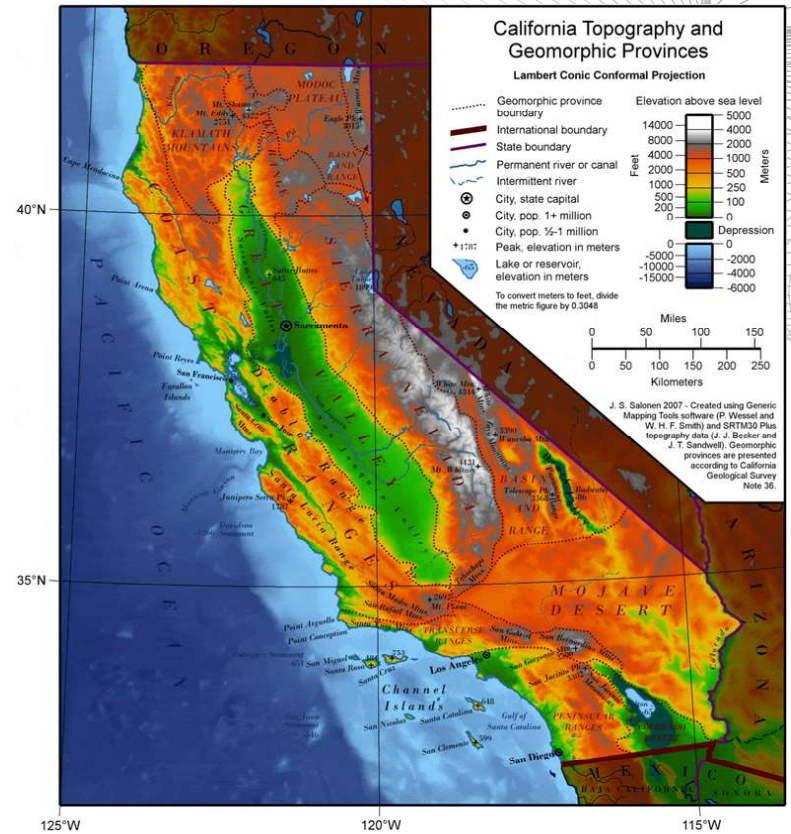
- 23 Universities
- Admits the top 1/3 of high school graduates
- Governed by Governor-appointed Board of Trustees; Board-selected Chancellor; subject to legislative control

## University of California (UC)

- 10 Universities
- Admits the top 1/8 of high school graduates
- Governed by Governor-appointed Board of Regents; Board-appointed President; not subject to legislative control

# California's Geography: Home to Extreme Landscapes and Exceptional Trees

Covering an area of 163,696 sq mi (423,970 km<sup>2</sup>), California is among the most geographically diverse states. The Sierra Nevada, the fertile farmlands of the Central Valley, and the arid Mojave Desert of the south are some of the geographic features of this U.S. state. It is home to some of the world's most exceptional trees: the tallest (coast redwood), most massive (Giant Sequoia), and oldest (bristlecone pine). It is also home to both the highest (Mount Whitney) and lowest (Death Valley) points in the 48 contiguous states.



# California's Economic, Digital and Smart City Rankings in 2022

## Largest State Economy

California continued to be the **largest economy among the 50 states**, accounting for **14.2%** of the U.S. Gross Domestic Product (GDP) in 2022, with a total GDP of **\$3.6 trillion**. It ranked as the **fifth-largest economy in the world**. The state's economy is diverse, featuring key sectors such as high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. As a leader in agricultural production, California's farming operations generated over \$51.1 billion in cash receipts for the 2021 crop year. In 2022, the state exported \$186.2 billion in products, with Mexico (\$30.8 billion), Canada (\$20.6 billion), and China (\$18.2 billion) being its largest export markets. California's six largest exports included computer and electronic products, machinery, chemicals, transportation equipment, miscellaneous manufactured commodities, and agricultural products. The travel and tourism sector saw revenues of \$134.4 billion in 2022, a 31.7% increase from the previous year, although it remained 7.2% below pre-pandemic levels.

# California's Economic, Digital and Smart City Rankings in 2022

## Digital City Recognition

Long Beach, California, earned the title of the top digital city for the second consecutive year in the Center for Digital Government's 2022 Digital Cities Survey. This recognition highlights Long Beach's commitment to integrating technology into its city services and operations, thereby improving efficiency and citizen engagement. The survey assesses how effectively cities utilize technology to enhance public services, support economic development, and foster community engagement.

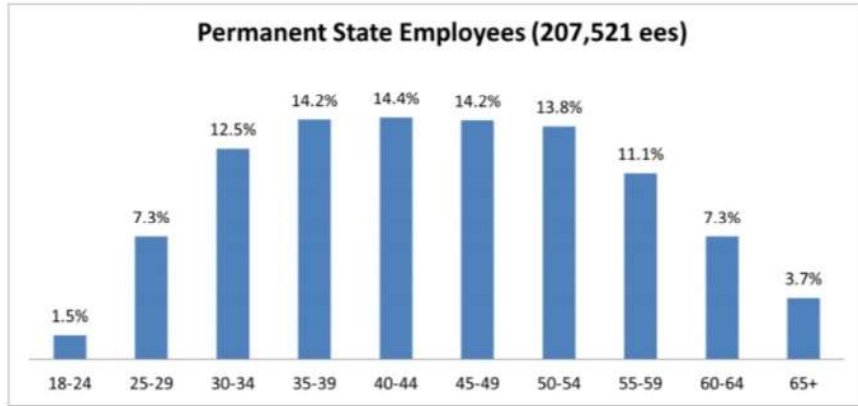
## Smart City Initiatives

California's cities were acknowledged for their innovative smart city projects, with three notable entries included in the top smart city initiatives: Los Angeles, San Diego, and San Francisco. Although California initially had multiple entries, the list was refined to ensure a balanced representation of smart city initiatives across various states. This recognition reflects the state's ongoing efforts to leverage technology to improve urban living and sustainability, addressing challenges such as transportation, energy management, and public safety.



## **Structure, Workforce, Services, and Governance of the Public Administration Group**

- **Number of employees by Age/Gender**
- **Composition and Services**
- **Group and City Governance**



Age Range	Employee Count	Percent
-17	0	0.0%
18-24	3021	1.5%
25-29	15163	7.3%
30-34	26005	12.5%
35-39	29567	14.2%
40-44	29835	14.4%
45-49	29493	14.2%
50-54	28731	13.8%
55-59	22980	11.1%
60-64	15132	7.3%
65+	7594	3.7%
<b>Grand Total</b>	<b>207521</b>	<b>100.00%</b>

# California State Employee Age Demographics June 2022

The age demographics reflect workforce data from June 2022 for civil service employees



# Supporting Californians: Essential Social Services



- **Purpose:** California provides comprehensive services for resident well-being and stability.
- **Main Service Areas:**
  - **Healthcare:** Medi-Cal, Covered California, and mental health programs.
  - **Food & Financial Assistance:** CalFresh, WIC, CalWORKs, General Assistance.
  - **Housing Support:** Rental assistance, homelessness programs, Section 8 housing.
  - **Child and Family Services:** Child Protective Services, In-Home Supportive Services.
  - **Employment Services:** Employment Development Dept., Disability Insurance.
- **Administration:** Services managed by counties with state funding.

# Social Services Enhancing Community Well-being

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- **Economic Support:** Financial aid, food security, and job training help residents achieve self-sufficiency.
- **Health & Stability:** Access to affordable healthcare and mental health support promotes a healthier state.
- **Housing & Safety:** Housing assistance and protective services ensure safe, stable living conditions.
- **Education & Development:** Programs like Head Start support early childhood education and long-term success.
- **Cultural Importance:** Tailored services strengthen diverse communities and foster inclusive support.

## Balancing Power and Autonomy: The Role of State and Local Governments in California Towards Citizens

In California, the relationship between the state government (the controlling entity) and local governments (subsidiaries, such as counties and cities) is rooted in a balance of power defined by the state constitution. While the state government holds authority to set laws and policies that local entities must follow, counties and cities manage many of the day-to-day functions and budget allocations.

### **Relationship Between State and Local Entities**

The California state government is responsible for establishing broad policies and laws that local entities implement. State agencies oversee key programs, such as public assistance (CalWORKs and Medi-Cal), while local governments handle specific, localized responsibilities like road maintenance, school operations, and enforcing health regulations. In emergencies, however, the state can assert more direct control, as seen during the COVID-19 pandemic when the governor exercised executive powers to mandate health measures that overruled local decisions.

### **Internal Decision-Making and Council Composition**

Local governance bodies, such as city councils and county boards of supervisors, manage decision-making processes that impact their communities directly. Councils typically consist of elected officials who hold regular sessions to pass resolutions, approve budgets, and create local policies. Council meetings are structured with procedures for attendance, motions, inquiries, and resolutions, providing a transparent process for public input and interpellations. These councils also address community-specific concerns through inquiries and motions and, when necessary, escalate issues to state representatives.



Governor Gavin Newsom press conference COVID-19

# State Government Revenues and Expenditures in California in the United States in 2022

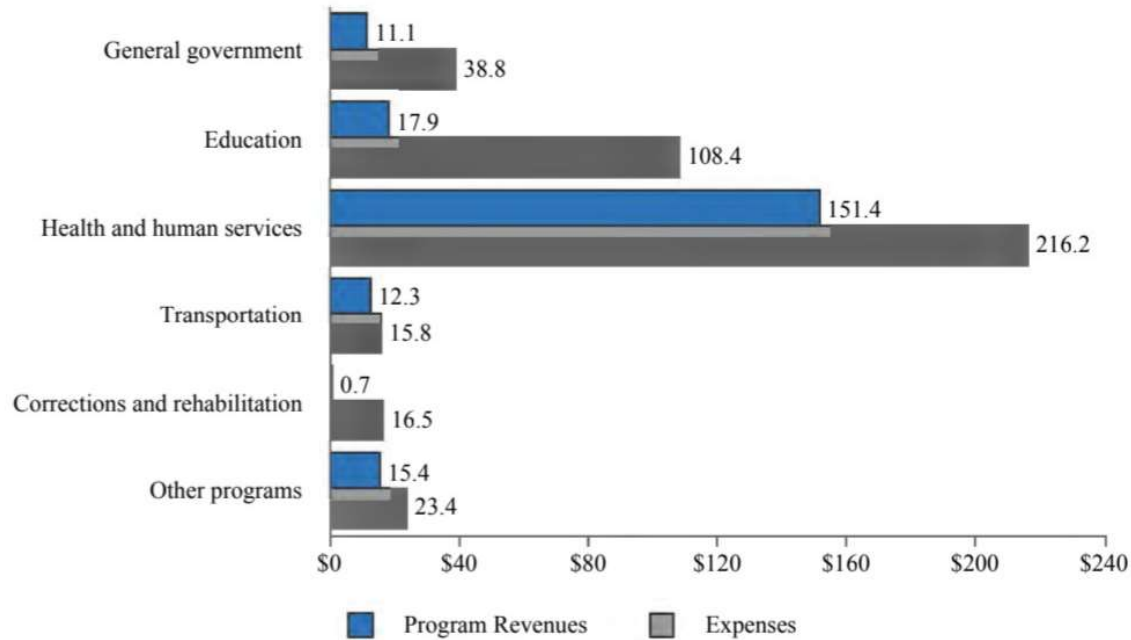
- Revenues
- Expenditures



# Program Revenues and Expenses

This chart represents a comparison of governmental activities' expenses to related revenue by program

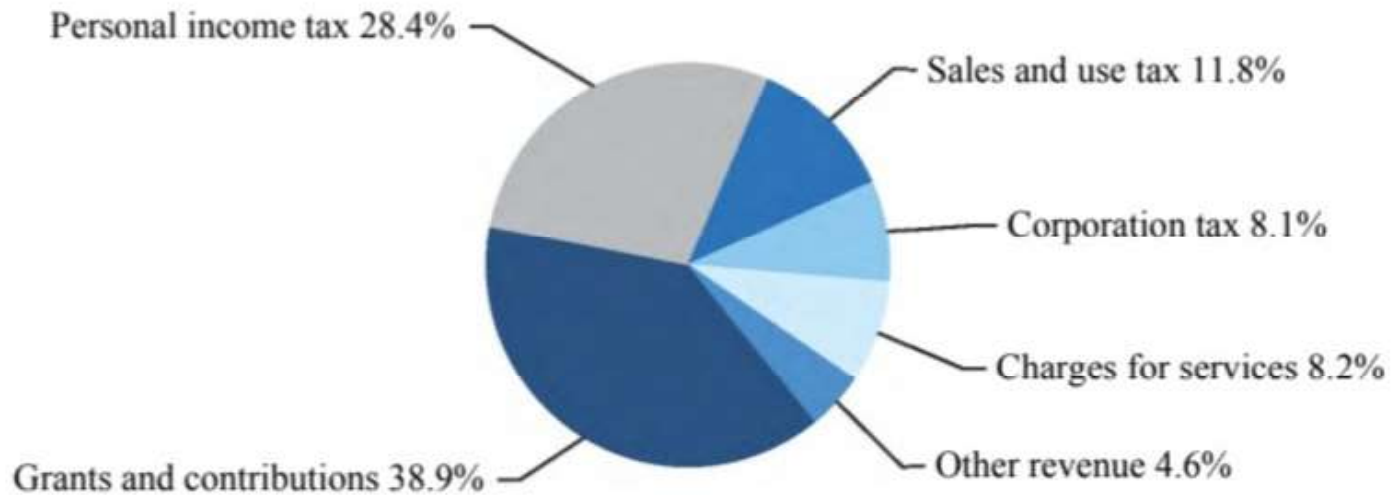
Year ended June 30, 2022



# Revenues by Source

This Chart represents the percentage of total revenues by source for each governmental activities program

Year ended June 30, 2022



# Tax and duty distribution

In 2022, California's tax revenue distribution spanned multiple sources, heavily supporting both state and local services. The primary sources included:

1. Personal Income Tax - Constituting the largest revenue share, personal income tax is critical for the General Fund, supporting state-level public services.
2. Sales and Use Tax - This tax accounted for 16.3% of the General Fund revenue. Increased consumer spending, particularly on goods due to inflation, bolstered revenue, which also benefited from the state's ability to tax out-of-state online sales following the Wayfair decision.
3. Corporation Tax - Projected to generate substantial revenue, corporation taxes were affected by economic shifts but contributed to core state services.

# Tax and duty distribution

In 2022, California's tax revenue distribution spanned multiple sources, heavily supporting both state and local services. The primary sources included:

4. Special Funds - Significant funding from motor vehicle fees and fuel taxes went toward transportation infrastructure. Vehicle license fees (VLF) generated \$3.2 billion, while fuel taxes supported both local and state road projects, with over one-third allocated to local jurisdictions for road maintenance and congestion reduction.

These revenues are allocated to fund essential services like education, healthcare, infrastructure, and public safety across California, supporting both statewide programs and specific community needs.



# Extraordinary Transfers: COVID Relief, Budget Surplus, and Infrastructure Investment

1. In 2022, California saw significant "extraordinary transfers," largely due to federal COVID-19 relief and its state budget surplus. Key highlights include:

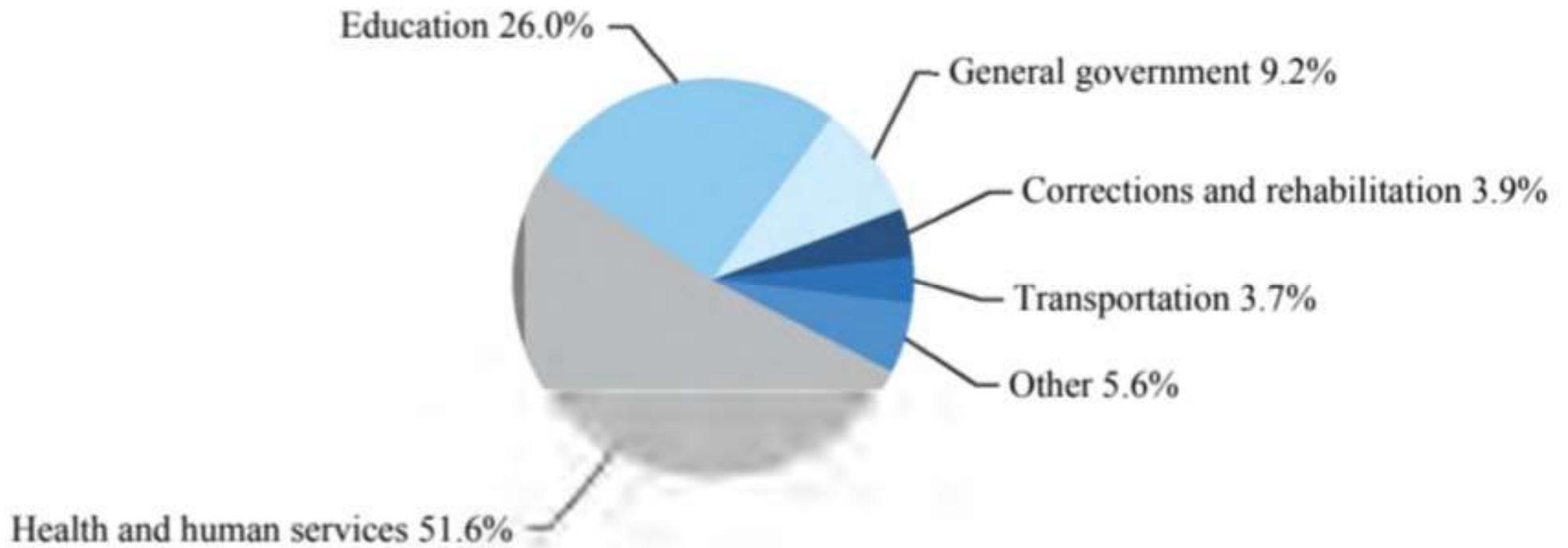
2. Federal COVID-19 Relief: California received substantial funds through the American Rescue Plan (ARPA) for public health, education, unemployment benefits, and rental assistance, including over \$5 billion for emergency rental aid.

State Budget Surplus and Tax Refunds: With a historic surplus, California allocated funds for education, healthcare, and homelessness, while also issuing over \$9 billion in direct payments to residents through the Golden State Stimulus and Middle-Class Tax Refunds.

3. Infrastructure Funding: California received billions for transportation projects, including roads, bridges, and electric vehicle infrastructure, from federal sources under the Infrastructure

# Expenses by program

This Chart represents the percentage of total expenses for each governmental activities program



# Budget: Focus on Education, Healthcare, and Infrastructure



The 2022 California budget outlines a significant allocation of funds across various public missions, emphasizing key areas like education, healthcare, and infrastructure. According to the budget analysis, the largest share of expenditure was directed towards schools and community colleges, driven by the requirements of Proposition 98. This initiative guaranteed a substantial increase in funding for education, accounting for a significant portion of the state's discretionary spending.



Beyond education, other major commitments include resources for health services, housing, homelessness, and transportation infrastructure. For instance, substantial investments were made in one-time or temporary programmatic expansions, amounting to \$36.3 billion, focusing on short-term enhancements across various sectors. Additionally, \$10.5 billion was dedicated to tax refunds and revenue reductions, mainly through the "Better for Families Tax Refund" program.



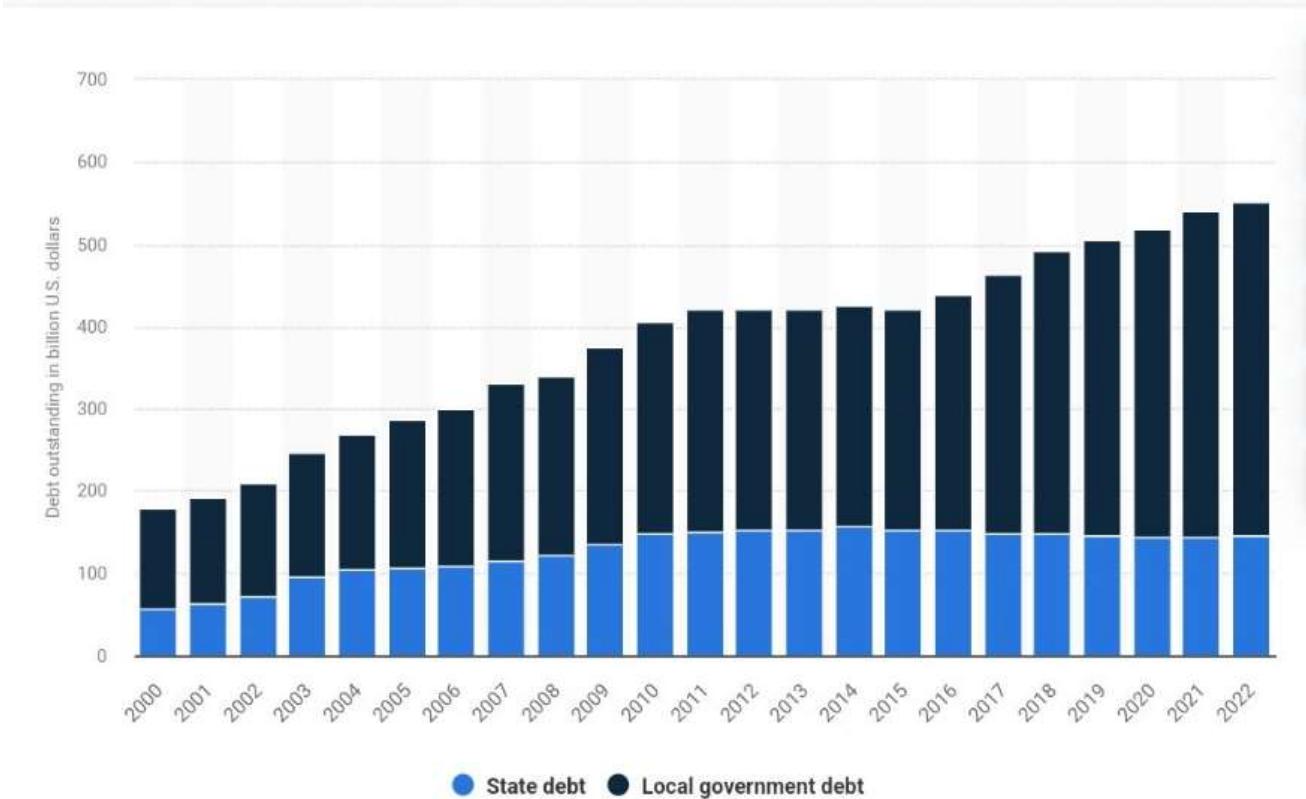
The budget also prioritized maintaining reserves, setting aside about \$3.5 billion to cover unexpected future expenditures, with a significant portion allocated to the Budget Stabilization Account (BSA) to ensure financial resilience.



Overall, the emphasis was on utilizing a budget surplus estimated at around \$55 billion, with most of it channeled towards temporary and one-time expenses to address immediate needs, particularly in education and healthcare.

# California's State Debt in 2022

In the fiscal year of 2022, California's state debt stood at about 145.03 billion U.S. dollars. Comparatively, the state's debt was 57.17 billion U.S. dollars in 2000.



# Structured Policy Description by Service Category with SDG Alignment

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California's civic services include essential health, safety, and infrastructure support, which directly contribute to public well-being.

Benchmarks and Indicators: Percentage of population with access to healthcare, clean water, and essential public services.

SDG Alignment: SDG 3: Good Health and Well-being, SDG 6: Clean Water and Sanitation.

Impact Analysis: Metrics on healthcare accessibility and infrastructure quality, such as water management efficiency during droughts.

California has embraced smart city initiatives, notably in cities like Long Beach, recognized for digital innovation.

Benchmarks and Indicators: Internet access rates, digital service availability, citizen engagement metrics.

SDG Alignment: SDG 9: Industry, Innovation, and Infrastructure, SDG 11: Sustainable Cities and Communities.

Impact Analysis: Measures include enhanced service efficiency and equitable access to digital resources, contributing to smart infrastructure goals.

# Structured Policy Description by Service Category with SDG Alignment

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These policies focus on reducing inequality and supporting underrepresented communities through economic and social services.

Benchmarks and Indicators: Income distribution, job creation in underserved regions, participation in education and workforce training.

SDG Alignment: SDG 5: Gender Equality, SDG 10: Reduced Inequalities.

Impact Analysis: Provides a framework for tracking progress in equality and opportunities, analyzing disparities in income and access to services.

California's initiatives include expanding public transit, promoting electric vehicles, and supporting green transportation.

Benchmarks and Indicators: Public transit coverage, adoption of electric vehicles, air quality metrics.

SDG Alignment: SDG 11: Sustainable Cities and Communities, SDG 13: Climate Action.

Impact Analysis: Carbon emission reduction and improved urban mobility, critical for sustainable growth and urban well-being.

# Structured Policy Description by Service Category with SDG Alignment

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Policies focus on sustainable waste management practices and environmental protection.

Benchmarks and Indicators: Recycling rates, landfill reduction, and emission control.

SDG Alignment: SDG 12: Responsible Consumption and Production, SDG 15: Life on Land.

Impact Analysis: Highlights California's proactive stance on reducing waste, promoting recycling, and protecting natural habitats.

California's tourism industry emphasizes the state's natural and cultural resources.

Benchmarks and Indicators: Annual tourism revenue, travel-generated state tax revenue, visitor engagement.

SDG Alignment: SDG 8: Decent Work and Economic Growth.

Impact Analysis: The tourism sector's economic contribution and its rebound from the pandemic, enhancing state revenue while promoting cultural preservation.

# Methodological Note for the California Popular Financial Report (PFR) 2022



- 01** Guidelines: The report follows the California State Controller's Office guidelines for the Popular Annual Financial Report (PAFR) to ensure accessibility and clarity. It also incorporates the Integrated Reporting (IR) Framework to highlight both tangible and intangible resources in governance, such as natural and human capital.
- 02** Content Criteria: The report prioritizes relevance, accuracy, clarity, and consistency. Data was sourced from California's Popular Financial Report (PFR), the Comprehensive Annual Financial Report (CAFR), and state budget documents to ensure validity. Visual aids and simplified explanations are used to make complex financial data understandable.
- 03** Analytical Approach: A mix of descriptive and comparative analysis was used to present financial data, including revenue, expenditures, and assets. The Six Capitals Framework provided a structured discussion on California's resources.
- 04** Consulted Documents: Primary sources include the California PFR and CAFR. Additional insights were drawn from the State Budget Summary and Legislative Analyst's Office Reports.
- 05** Committees and Stakeholders: The report was prepared with input from the State Controller's Office, Budget and Finance Committee, and subject matter experts to ensure comprehensive coverage of California's fiscal policies and sustainability efforts.



# Resources

California Department of Finance Population Estimates and Population Projections; US Census Bureau Population Estimates; Decennial Censuses; 2022 American Community Survey 1-Year Estimates; Center for Disease Control and Prevention (CDC).

<https://www.ppic.org/publication/californias-population/#:~:text=No%20race%20or%20ethnic%20group,the%202022%20American%20Community%20Survey>

[https://en.m.wikipedia.org/wiki/Geography\\_of\\_California](https://en.m.wikipedia.org/wiki/Geography_of_California)

<https://www.statista.com/statistics/205778/median-household-income-in-california/>

<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html>

Source: Census Bureau

<https://www.longbeach.gov/press-releases/city-of-long-beach-ranks-first-nationwide-as-a-2022-top-digital-city/#:~:text=Long%20Beach%2C%20CA%20%E2%80%93%20For%20the,s%202022%20Digital%20Cities%20Survey>

<https://www.digi.com/blog/post/smart-cities-in-the-us-examples>

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<https://www.smartcitiesdive.com/>

Global Waste to Grow by 70 Percent by 2050 Unless Urgent Action is Taken: World Bank Report <https://www.worldbank.org/en/news/feature/2018/09/20/global-waste-to-grow-by-70-percent-by-2050-unless-urgent-action-is-taken-world-bank-report>

Solid Waste Management (World Bank) <https://www.worldbank.org/en/topic/urbandevelopment/brief/solid-waste-management>

What a Waste 2.0 - A Global Snapshot of Solid Waste Management

<https://datatopics.worldbank.org/what-a-waste/>

<https://calmatters.org/explainers/california-state-capitol-how-government-works/#10b28db3-b642-4acf-bca3-b660bb66b067>

<https://www.statista.com/statistics/305287/california-state-debt/#:~:text=In%20the%20fiscal%20year%20of,billion%20U.S.%20dollars%20in%202000>

[https://ballotpedia.org/Public\\_policy\\_in\\_California](https://ballotpedia.org/Public_policy_in_California)

State of California Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022 from [www.sco.ca.gov](http://www.sco.ca.gov)

<https://www.gov.ca.gov/2022/06/27/governor-newsom-signs-budget-legislation-6-27-22>

<https://www.ebudget.ca.gov/2022-23/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf>

<https://www.dof.ca.gov/Budget/> <https://lao.ca.gov/Publications/Report/4616> <https://www.ebudget.ca.gov/2022-23/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf> [https://www.sco.ca.gov/Files-ARD-Local/LocRep/2022\\_fy\\_annual\\_report.pdf](https://www.sco.ca.gov/Files-ARD-Local/LocRep/2022_fy_annual_report.pdf) [https://www.dof.ca.gov/budget/Budget\\_Summary/](https://www.dof.ca.gov/budget/Budget_Summary/) <https://www.lao.ca.gov/Budget/Analysis/2022>



# Declaration

This work was completed by Nadeem Abou Okdah, Mohamad Saad, Ibrahim Alamine, Abbas Alrai as part of the Public Management course at the School of Advanced Studies (SAA), University of Turin, under the supervision of Prof. Valerio Brescia. The elements presented in this assignment have been developed in accordance with the guidelines defined by Professors Paolo Biancone, Silvana Secinaro, Valerio Brescia, and Davide Calandra.