



CALIFORNIA STATE AUDITOR

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FACT SHEET

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The California State Auditor released the following report today:

High Risk

*The California State Auditor's Updated Assessment of High-Risk Issues
the State and Select State Agencies Face*

BACKGROUND

With nearly \$130 billion in proposed programs and operations, state government is a major contributor to one of the largest economies in the world. Identifying and addressing high-risk issues in California's government can contribute to enhanced efficiency and effectiveness by focusing the State's resources on improving the delivery of services related to important programs or functions. The California State Auditor's (State Auditor) biennial reports on high-risk issues, as authorized in January 2005, lists those issues or agencies that the State Auditor identifies as high risk for their potential of waste, fraud, abuse, or mismanagement or that have major challenges associated with their economy, efficiency, or effectiveness. In this 2011 update, the State Auditor identifies one new issue and presents the status of issues and select agencies previously listed.

KEY REVIEW RESULTS

Based on our risk assessment and analysis, various fiscal issues continue to pose a high risk to the State, and we have added one new issue to the list.

- ✓ The State's budget condition—California continues to experience large budget deficits and difficulty in resolving its budget problems. In fiscal year 2009–10, the State experienced a \$62.9 billion deficit, the largest in its history.
- ✓ California State Teachers' Retirement System's (CalSTRS) Defined Benefit Program—new to the list, the State faces the possibility of having to help finance CalSTRS' pension liabilities. The funded status of its defined pension program decreased from 98 percent in 2001 to 71 percent in 2010 and contributions are not enough to pay retirement benefits to members beyond the next 30 years.
- ✓ The State's retiree health benefits liability—the total liability continues to grow, which presents a risk for the State in providing the level of health benefits promised to its retirees.
- ✓ The administration of the federal funds related to the American Recovery and Reinvestment Act of 2009—continued weaknesses in administering the programs and large amounts of funds involved. The State could lose some of the \$8.6 billion in Recovery Act funds that remained unspent as of March 31, 2011.

Further, although the State has made some progress in addressing the high-risk issues and the challenges facing select agencies the State Auditor previously reported on the high-risk list, the issues and challenges continue. Thus, the following remain on our high-risk list:

- ✓ Five significant high-risk issues previously reported—modernizing and improving state-financed infrastructure, ensuring the State's supply of electricity, managing the State's workforce, emergency preparedness, and information technology governance.
- ✓ The three state agencies facing challenges in their day-to-day and long-term operations: the California Department of Corrections and Rehabilitation, the Department of Health Care Services, and the California Department of Public Health.

The State Auditor will continue to monitor developments and challenges that affect the issues and select agencies on the high-risk list and may undertake future projects to further evaluate policy changes that potentially affect them.

