

California Fiscal Focus

A Monthly Report from State Controller Betty T. Yee

August 2018

CA Controller Reports State Revenues Missed Expectations for July

During the first month of the 2018-19 fiscal year, California took in less revenue than estimated in the budget enacted at the end of June, State Controller Betty T. Yee reported.

Total revenues of \$6.63 billion for July were lower than anticipated by \$294.7 million, or 4.3 percent.

While sales taxes missed the mark, personal income tax (PIT) and corporation tax – the other two of the “big three” revenue sources – came in higher than projected.

For July, PIT receipts of \$5.22 billion were \$231.7 million, or 4.6 percent, more than expected.

July corporation taxes of \$446.4 million were \$82.2 million, or 22.6 percent, above 2018-19 Budget Act assumptions.

Sales tax receipts of \$818.4 million for July were \$659.1 million, or 44.6 percent, less than anticipated in the FY 2018-19 budget. Most of the variance was due to when the money was recorded.

At the beginning of FY 2018-19, the state’s General Fund had a positive cash balance of \$5.54 billion. Receipts were \$3.62 billion less than disbursements in July, which left a cash balance of \$1.92 billion at the end of the month. There was no internal borrowing, which was \$2.19 billion less than the 2018-19 Budget Act estimated the state would need by the end of July. Unused borrowable resources were 7.5 percent higher than projected in the budget.

For more details read the [monthly cash report](#).



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Climate Summit to Address Practical Steps for Cutting Carbon

The fires raging across California this summer are yet another stark reminder of the impacts of climate change. As temperatures increase, scientists expect more fires, higher sea levels, and longer droughts. Now is the time to increase our efforts to limit global warming and its devastating effects.

World leaders made progress at COP21 in Paris in 2015 with their pledge to fight to keep temperature increases below 2 degrees Celsius. In the lead-up to the COP24 in Poland this December, Governor Jerry Brown will host the Global Climate Action Summit in San Francisco September 12 to 14 to encourage corporations, investors, and governments to make additional commitments.

In recognition of the global nature of the challenges and opportunities, Governor Brown has assembled an international group of cohosts. Joining forces to make the summit a success are Patricia Espinosa, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC); Anand Mahindra, Chair of the Mahindra Group (a multinational corporation headquartered in India); Michael Bloomberg, United Nations Secretary General's Special Envoy for Climate Action and former New York City mayor; Xie Zhenhua, Special Representative for Climate Change Affairs of China; and Jayathma Wickramanayake, United Nations Secretary General's Envoy for Youth.

Corporate leaders, investors, and government officials will share their commitments to reduce carbon emissions, as well as practical implementation steps, in five key issue areas:

Healthy Energy Systems – Includes the global shift to clean energy and the Zero-Emission Vehicle Challenge encouraging states, cities, and businesses to accelerate their adoption of electric vehicles.

Inclusive Economic Growth – Addresses the jobs expected to be created by the transition to clean energy power sources. Businesses will be challenged to set science-based emissions reduction targets to align with



the Paris Agreement and reach the level of reduced carbon emissions required to keep the global temperature increase below 2 degrees Celsius.

Sustainable Communities – Focuses on buildings and infrastructure and includes Net Zero Carbon Building pledges for municipal buildings; Green & Healthy Streets featuring zero-emission buses, bicycling, and public transport; solid waste reduction; and the adoption of city climate action plans by 2020.

Land and Ocean Stewardship – Acknowledges the role ocean and land ecosystems play in mitigating climate change. Corporations and governments will commit to improve forest and habitat conservation, food production and consumption, and land-use initiatives.

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Skills Gap Stymies Gains for One-Third of California Families

The California economy is roaring. If measured as a country, California would have the fifth-largest economy on the planet. Unemployment sits at a near-historic low rate; corporations continue to report record profits; and our home-grown entrepreneurs are not only starting new lines of business, they are creating entirely new industries. To paraphrase Charles Dickens, surely it is the best of times.

However, a report from the United Way entitled *Struggling to Stay Afloat* illustrates in no uncertain terms that not all Californians are sharing in the state's economic success. According to the report, "one in three California households – nearly 3.3 million families – do not have sufficient income to meet their basic cost of living." The study also shows that minorities and women, especially those with less education, constitute a majority of the families struggling. Nine out of 10 struggling households already are working.

In addition to the current crisis of individuals who are underemployed, a new wave of automation, artificial intelligence, and robotics will fundamentally transform both the economy and the nature of work itself.

Various universities, think tanks, and for-profit organizations have opinions – often conflicting – about the impact of emerging technology in the workplace. Some theorize displacement of workers on a grand scale, while others see a future of work where automation will be complementary and create more productive jobs.

All parties agree on the urgent need to align our current systems of education and workforce training with the skillsets and knowledge essential for workers to secure and maintain productive, well-paying jobs in the modern economy. In other words, a significant skills gap must be addressed.

According to a recent survey of 500 senior executives, 92 percent think American workers are not as skilled as they need to be. While executives unsurprisingly flagged

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the need for greater technical skills, especially in the manufacturing industry, 44 percent identified soft skills – creative thinking, collaboration, and communication – as lacking.

Of equal concern, especially if California expects to retain its current economic momentum, 45 percent of executives surveyed believe their company is missing out on growth opportunities. Thirty percent believe profits are being negatively affected due to the skills gap.

If we are to provide a meaningful pathway for all Californians to participate in the new economy, we must address the skills gap and provide companies with the talent they require. Achieving this goal will require the cooperation and resources of all levels of government coupled with robust partnerships among private industry, labor, nonprofit organizations, and philanthropists.

Governor Brown took an important first step in this direction by creating a stand-alone online college through the California Community College system. The new online college will develop programs compatible with workforce needs and offer educational opportunities to help "stranded" workers increase economic mobility. This new portal to education will provide opportunities for people with non-traditional schedules such as working

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Transformative Climate Investments – Will mobilize investments to achieve the Paris Agreement goals and drive innovation to accelerate a clean, resilient economy. This includes adoption of the Investor Agenda, calling on global investors to accelerate and scale up the actions critical to tackling climate change, manage climate risks, and invest in low-carbon opportunities. Investors can sign on to the %AUM Challenge launched last year by former UNFCCC executive secretary and Mission 2020 convenor Christiana Figueres. Her call was for delegates themselves to invest one percent of their assets in clean technologies and renewable energy by 2020 and to make that commitment by the time of Brown’s summit. Governments and businesses also can make a Green Bond Pledge to finance capital projects and infrastructure.

Controller Yee is encouraged by the support and actions of citizens, governments, corporations, and investors to come together to address climate change in a fair and equitable way.

For additional information about the governor’s Global Climate Action Summit and volunteer opportunities, visit the official website at globalclimateactionsummit.org.

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mothers to learn the skills necessary to find a good job in the modern economy.

If a broader online strategy to digitally share knowledge and skills is to be successful, we must ensure all Californians have affordable access to high-speed internet connectivity (broadband).

A UC Berkeley study found 31 percent of Californians currently are unconnected or underconnected to the internet. This especially is true in poor metropolitan areas and in rural communities. Ironically, this is the very population that would benefit most from having affordable access to broadband.

The innovation and creativity that defines the California economy is the envy of the nation. We have the opportunity to leverage that success to the benefit and economic well-being of all Californians. By embracing that challenge, we can ensure a better and more prosperous future so that we may all live in “the best of times.”

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