



California Fiscal Focus

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CA Controller Reports State Revenues Continue to Exceed Expectations

California revenues of more than \$10.57 billion for September beat projections in the 2016-17 Budget Act Governor Jerry Brown signed in June by \$151.6 million, or 1.5 percent, State Controller Betty T. Yee reported. Total revenues have outpaced expectations for two straight months after four months of shortfalls.

The fiscal year-to-date total of \$24.55 billion in revenues is now just 0.1 percent below estimates.

Personal income tax (PIT) continues to represent the largest portion of General Fund receipts. September PIT receipts of almost \$7.14 billion exceeded budget projections by \$127.7 million, or 1.8 percent. Three months into the new fiscal year, California has collected total PIT receipts of almost \$16.32 billion, topping estimates by \$177.8 million—a difference of 1.1 percent.

Corporation taxes—which surge when quarterly payments arrive in March, June, September, and December—came in at just over \$1.02 billion for September, which was 14 percent (\$166.3 million)

lower than anticipated. By contrast, corporation tax receipts for August were only \$72.8 million. For the first three months of the fiscal year, total corporation tax receipts of \$1.32 billion are \$265.5 million less than predicted in the 2016-17 Budget Act—a shortfall of 16.7 percent.

Retail sales and use tax receipts of just over \$2.00 billion beat expectations by \$208.4 million, the largest margin of the “big three” revenue sources at 11.6 percent. For the fiscal year-to-date, sales tax receipts of nearly \$5.94 billion are just \$25.8 million under estimates, or 0.4 percent.

The state ended the month of September with unused borrowable resources of more than \$28.51 billion, which was \$2.02 billion more than predicted in the 2016-17 Budget Act. Outstanding loans of just under \$10.53 billion were \$50.4 million less than projected. This loan balance consists of borrowing from the state’s internal special funds.

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

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Regional Differences in Income Tax Liabilities Across California

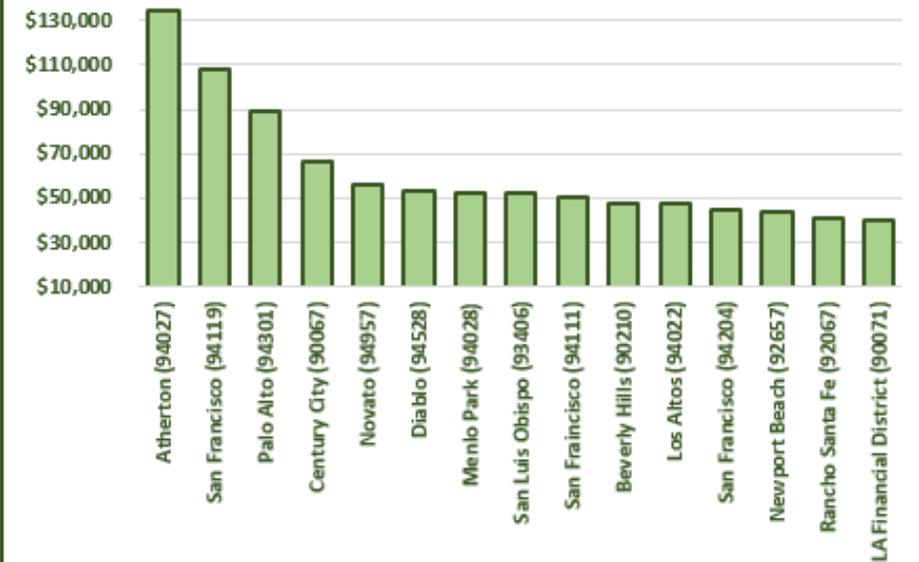
Each year, the California Franchise Tax Board publishes summary personal income tax (PIT) statistics for more than 2,300 zip codes. By matching the zip code to a California locality, the reported tax data can be mapped to regions, cities, and neighborhoods.

To avoid demographic anomalies, we limit our analysis to those 1,465 zip codes with at least 500 tax returns and calculate the average PIT liability for each. Among these zip codes, 93428 (associated with the coastal village of Cambria just south of San Simeon) has the state’s median tax liability, \$2,162.

Figure 1

Zip Codes with the Highest Average Personal Income Tax Liability, 2013

Zip codes with at least 500 returns



Data Source: California Franchise Tax Board (2014)

Figure 1 identifies the zip codes with the highest reported PIT liability. Atherton reports the highest liability, exceeding \$130,000 per return. Eight of 15 of the highest-liability zip codes are in San Francisco Bay Area counties.

Los Angeles, Orange, San Diego, and San Luis Obispo counties have the remaining top-15 highest liabilities.

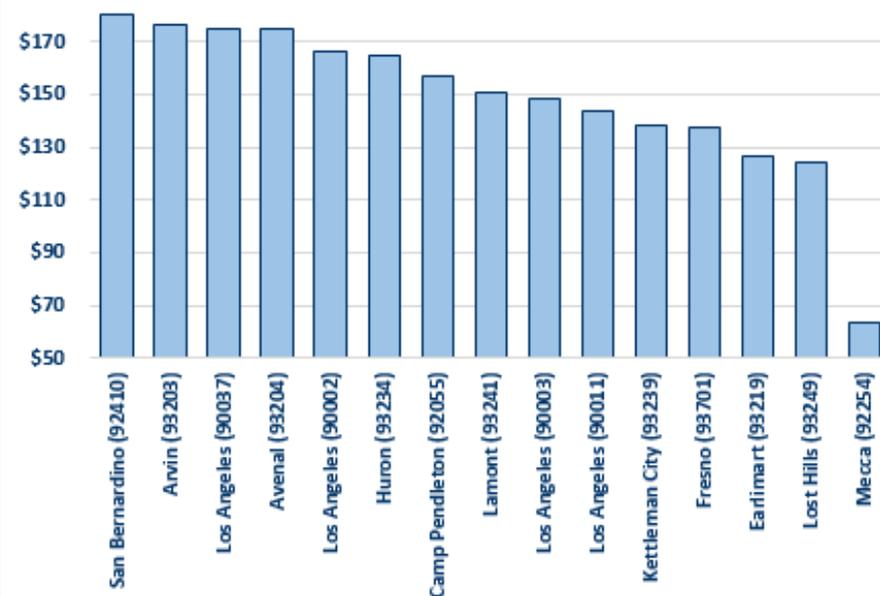
The 15 lowest PIT liabilities are reported in zip codes associated with the southern Central Valley, the city of Los Angeles, and San Diego county. Figure 2 shows these zip codes report average PIT liabilities between \$20 and \$180, well below the \$2,162 median.

The wide disparity in average PIT liabilities may have many causes. Demographic factors, such as age, are likely to account for some of this disparity.

Figure 2

Zip Codes with the Lowest Average Personal Income Tax Liability, 2013

Zip codes with at least 500 returns



Data Source: California Franchise Tax Board (2014)

Budget Spotlight: General Fund Condition

The nonpartisan Legislative Analyst’s Office (LAO) this month published its summary of the FY 2016-17 budget and detailed the General Fund condition. The summary shows expenditures are likely to grow in FY 2016-17 by about \$6.9 billion with revenues to grow by about half that (Figure 3). LAO expects the state to end the year with a reserve of \$8.5 billion.

Figure 3
General Fund Condition as of June 2016 Budget Package^a
Dollars in Millions

	Revised 2015-16	Enacted 2016-17
General Fund Condition		
Prior-year fund balance	\$3,444	\$4,875
Revenues and transfers	117,001	120,310
Expenditures	115,571	122,468
Ending fund balance	\$4,875	\$2,717
Encumbrances	966	966
SFEU balance	3,909	1,751
Reserve Balances		
SFEU balance	\$3,909	\$1,751
BSA balance	3,420	6,714
Total Reserves	\$7,329	\$8,465
Revenues and Transfers		
Personal income taxes	\$79,962	\$83,393
Sales and use taxes	25,028	25,727
Corporation taxes	10,309	10,992
Other revenues	4,676	4,047
Subtotals, Revenues	(\$119,976)	(\$124,159)
Transfers to BSA	-\$1,814	-\$3,294
Other transfers (net)	-1,159	-556
Totals	\$117,001	\$120,310
Spending		
Proposition 98 (General Fund)	\$49,722	\$51,050
Non-Proposition 98	65,849	71,418
Totals	\$115,571	\$122,468

^aIncludes Education Protection Account created by Proposition 30 (2012)
 BSA = Budget Stabilization Account
 SFEU = Special Fund for Economic Uncertainties
 Source: Legislative Analyst’s Office



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CALIFORNIA FISCAL FOCUS

A MONTHLY REPORT FROM STATE CONTROLLER BETTY T. YEE

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