



# Controller Betty T. Yee

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## Chiang Releases September Cash Figures

State Controller John Chiang today released his monthly report detailing California's cash balance, receipts and disbursements for September 2008, and urged the Governor and Legislature to make needed adjustments to the State's recently enacted spending plan:

"The first quarter of the fiscal year has just ended, and we already are short \$1.1 billion. Revenues are deteriorating faster than expected, and September's cash flows send strong signals that the recently-enacted budget is more out of balance than we feared.

"Papering over structural deficits is something of a tradition in California, but the sinking economy and turmoil on Wall Street have brought this budget's flaws quickly into focus. With unemployment on the rise and capital gains diminishing, there is little reason to believe personal income taxes will recover. An uptick in sales tax revenues over the holidays is unlikely, as consumer confidence continues to sputter and some retailers are struggling to secure lines of credit needed to stock their shelves with inventory.

"These latest figures sharply illustrate that while the budget included some limited structural changes, it did nothing to bridge the dangerous gulf between revenues and spending. This week's meeting scheduled between Legislative leaders and the Governor is a positive step. I strongly encourage them to immediately begin work on a new budget plan that honestly acknowledges our fragile financial position."

Personal income tax revenues for the month of September were \$270 million below (-4.6%) estimates found in the Governor's May Revise, retail sales taxes were down by \$128 million (-5.7%), and corporate taxes were down \$416 million (-18.6%). Estimated tax filings in September are important indicators of the strength of two major revenue streams: personal income and corporate taxes. Estimated income tax payments in September were 4.6% below the level seen in the same month last year. Quarterly estimated corporate taxes were down 26% over the same time period.

At the end of September, the State had \$7.6 billion remaining in special funds available for internal borrowing. Internal borrowing was used in September to cover the deficit between \$21.8 billion in receipts and \$27.5 billion in disbursements. These resources will be exhausted, and the State will temporarily dip into the red on October 29. The State Controller will work with the Governor and the Treasurer to borrow externally to meet some of its cash needs for the remainder of the year.

The financial statement and the summary analysis can be found on the Controller's Web site at <http://www.sco.ca.gov/>.