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Westly: Revenue Growth Hits Mid-Year Plateau

Receipts Remain Strong But Pace Slowing, Controller Cautions

SACRAMENTO – State Controller Steve Westly announced today that the growth in California’s cash receipts slowed in December, though state revenues for the first half of the fiscal year are up by \$3.7 billion over the same period last year.

Key revenue sources – including income and sales taxes – are now only modestly ahead of budget estimates for the year. Actual receipts to date for the current fiscal year are \$1.3 billion higher than forecast in the budget, an increase of 3.7 percent.

December personal income tax receipts were \$4.17 billion, up 7.4 percent from last year, while retail sales and use taxes for the month were \$2.04 billion, up 0.8 percent from last year.

“The steady upward pace in California’s cash receipts is starting to plateau at the halfway mark,” Westly said. “California’s economy is giving us one more signal it’s time to get serious about structural budget reform.”

July through December receipts continued to show gains compared to the same six months of last fiscal year, according to the State Controller’s monthly General Fund Cash Basis Revenue Report. Retail sales and use taxes were 6.5 percent higher; personal income taxes were 10.9 percent higher; and corporation taxes were 28.3 percent higher.

Retail sales and use taxes came in at \$12.1 billion this year, \$736.5 million above the same period last fiscal year. Personal income taxes generated \$18.2 billion, \$1.8 billion above last year.

Corporation taxes yielded \$3.8 billion, \$847.5 million above last year. While this sector showed significant gains, it makes up a relatively small portion of state revenues. In addition, corporations often base initial tax payments on estimates, which are revised later in the tax season.

Excerpt of General Fund Cash Basis Revenue report follows.

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STATE CONTROLLER'S OFFICE
GENERAL FUND CASH BASIS REVENUE **
A comparison of Fiscal Years 2004-05 to 2003-04
(Amount in thousands)

Fiscal Year 2004-05							
Revenue	July	August	September	October	November	December	Total
Alcoholic Beverage Excise Tax	30,760	26,353	26,329	26,320	21,247	32,138	163,147
Corporation Tax	329,974	157,015	1,735,689	366,069	32,705	1,222,928	3,844,380
Cigarette Tax	15,889	7,153	8,376	10,699	7,529	14,462	64,108
Estate, Inheritance, and Gift Tax	70,367	47,992	56,525	41,386	36,300	38,934	291,504
Insurance Companies Tax	19,926	15,075	469,721	21,210	14,398	471,924	1,012,254
Personal Income Tax	2,501,625	2,470,250	4,060,459	2,657,548	2,351,129	4,170,408	18,211,419
Retail Sales and Use Taxes	983,743	2,829,447	2,011,596	849,943	3,342,672	2,034,811	12,052,212
Pooled Money Investment Interest	10,571	13,426	-	7,186	19,620	9,317	60,120
Not Otherwise Classified	87,764	136,717	73,873	120,758	427,710	196,783	1,043,605
Total	4,050,619	5,703,428	8,442,568	4,101,119	6,253,310	8,191,705	36,742,749

Fiscal Year 2003-04							
Revenue	July	August	September	October	November	December	Total
Alcoholic Beverage Excise Tax	32,070	25,241	24,706	28,466	28,782	24,657	163,922
Corporation Tax	252,030	116,949	1,324,830	260,836	65,675	976,566	2,996,886
Cigarette Tax	10,452	12,892	7,742	8,023	7,024	13,711	59,844
Estate, Inheritance, and Gift Tax	59,763	42,448	49,572	59,208	53,344	61,879	326,214
Insurance Companies Tax	18,219	14,255	423,612	17,224	12,992	417,293	903,595
Personal Income Tax	2,325,968	2,245,564	3,688,587	2,457,983	1,822,901	3,882,765	16,423,768
Retail Sales and Use Taxes	898,649	2,816,615	1,790,113	923,976	2,867,920	2,018,467	11,315,740
Pooled Money Investment Interest	11,137	9,801	15,730	2,167	17,091	5,060	60,986
Not Otherwise Classified	102,871	50,604	105,856 *	63,888	405,566	98,794	827,579
Total	3,711,159	5,334,369	7,430,748	3,821,771	5,281,295	7,499,192	33,078,534

Comparison							
Revenue	July	August	September	October	November	December	Total
Alcoholic Beverage Excise Tax	(1,310)	1,112	1,623	(2,146)	(7,535)	7,481	(775)
Corporation Tax	77,944	40,066	410,859	105,233	(32,970)	246,362	847,494
Cigarette Tax	5,437	(5,739)	634	2,676	505	751	4,264
Estate, Inheritance, and Gift Tax	10,604	5,544	6,953	(17,822)	(17,044)	(22,945)	(34,710)
Insurance Companies Tax	1,707	820	46,109	3,986	1,406	54,631	108,659
Personal Income Tax	175,657	224,686	371,872	199,565	528,228	287,643	1,787,651
Retail Sales and Use Taxes	85,094	12,832	221,483	(74,033)	474,752	16,344	736,472
Pooled Money Investment Interest	(566)	3,625	(15,730)	5,019	2,529	4,257	(866)
Not Otherwise Classified	(15,107)	86,113	(31,983)	56,870	22,144	97,989	216,026
Total	339,460	369,059	1,011,820	279,348	972,015	692,513	3,664,215

Percentage Over/Under							
Revenue	July	August	September	October	November	December	Total
Alcoholic Beverage Excise Tax	(4.1)%	4.4%	6.6%	(7.5)%	(26.2)%	30.3%	(0.5)%
Corporation Tax	30.9%	34.3%	31.0%	40.3%	(50.2)%	25.2%	28.3%
Cigarette Tax	52.0%	(44.5)%	8.2%	33.4%	7.2%	5.5%	7.1%
Estate, Inheritance, and Gift Tax	17.7%	13.1%	14.0%	(30.1)%	(32.0)%	(37.1)%	(10.6)%
Insurance Companies Tax	9.4%	5.8%	10.9%	23.1%	10.8%	13.1%	12.0%
Personal Income Tax	7.6%	10.0%	10.1%	8.1%	29.0%	7.4%	10.9%
Retail Sales and Use Taxes	9.5%	0.5%	12.4%	(8.0)%	16.6%	0.8%	6.5%
Pooled Money Investment Interest	(5.1)%	37.0%	(100.0)%	231.6%	14.8%	84.1%	(1.4)%
Not Otherwise Classified	(14.7)%	170.2%	(30.2)%	89.0%	5.5%	99.2%	26.1%
Total	9.1%	6.9%	13.6%	7.3%	18.4%	9.2%	11.1%

* Excludes 2,263,609 received on 09/30/03 from the issuance of Tobacco Securitization Bonds.

** This information is based upon funded cash. Fund cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

General Fund Cash Basis Revenues for the month of December 2004 *

In thousands

	December 2004		Actual Over or (Under) Estimate	
	Actual	DOF's 2004-05 Budget Act Estimates	Amount	%
Alcoholic Beverage Excise Tax	32,138	26,000	6,138	23.6
Corporation Tax	1,222,928	1,146,000	76,928	6.7
Cigarette Tax	14,462	10,000	4,462	44.6
Estate, Inheritance, and Gift Tax	38,934	22,000	16,934	77.0
Insurance Companies Tax	471,924	455,000	16,924	3.7
Personal Income Tax	4,170,408	4,239,000	(68,592)	(1.6)
Retail Sales and Use Taxes	2,034,811	1,909,000	125,811	6.6
Pooled Money Investment Interest	9,317	12,000	(2,683)	(22.4)
Not Otherwise Classified	196,783	228,000	(31,217)	(13.7)
Total Revenues	8,191,705	8,047,000	144,705	1.8

General Fund Cash Basis Revenues as of December 2004 *

In thousands

	Actual	DOF's 2004-05 Budget Act Estimates	Actual Over or (Under) Estimate	
			Amount	%
Alcoholic Beverage Excise Tax	163,147	158,000	5,147	3.3
Corporation Tax	3,844,380	3,056,000	788,380	25.8
Cigarette Tax	64,108	63,000	1,108	1.8
Estate, Inheritance, and Gift Tax	291,504	203,000	88,504	43.6
Insurance Companies Tax	1,012,254	989,000	23,254	2.4
Personal Income Tax	18,211,419	17,854,000	357,419	2.0
Retail Sales and Use Taxes	12,052,212	12,024,000	28,212	0.2
Pooled Money Investment Interest	60,120	73,000	(12,880)	(17.6)
Not Otherwise Classified	1,043,605	1,010,000	33,605	3.3
Total Revenues	36,742,749	35,430,000	1,312,749	3.7

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