

# Controller *John Chiang*

## California State Controller's Office



July 2010 Summary Analysis

Volume 4, Issue 7

## Statement of General Fund Cash Receipts and Disbursements

### State Finances in June 2010

- ⇒ The second half of the 2009-10 fiscal year saw mostly positive results in the State's fiscal position, and General Fund revenues largely tracked with estimates in June 2010. Compared to the 2010-11 May Revision estimates, total General Fund revenues were \$54.6 million lower (-0.5%) than expected. Personal income tax revenues were \$333 million better (6.1%) than anticipated. However, corporate tax revenues came in below the 2010-11 May Revision estimates in June by \$156 million (-7.5%). Retail sales and use taxes were also below expectations by \$153 million (-5.7%).
- ⇒ Compared to June 2009, General Fund revenue in June 2010 was down \$1.2 billion (-9.7%). The total for the three largest taxes was below 2009 levels by \$1.2 billion (-10.6%). This was driven by corporate taxes that were \$2.5 billion lower (-56.7%) than last year. However, personal income taxes were up by \$1.3 billion (28.8%), and sales taxes came in slightly above last June by \$29 million (1.2%).

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#### Budget vs. Cash

The State's budget is a financial plan based on estimated revenues and expenditures for the State's fiscal year, which runs from July 1 through June 30.

Cash refers to what is actually in the State Treasury on a day-to-day and month-to-month basis.

Monitoring the amount of cash available to meet California's financial obligations is the core responsibility of the State Controller's office. On average, the Controller's office issues 182,000 payments every day.

The State Controller's Office is responsible for accounting for all State revenues and receipts and for making disbursements from the State's General Fund. The Controller also is required to issue a report on the State's actual cash balance by the 10th of each month.

As a supplement to the monthly Statement of General Fund Cash Receipts and Disbursements, the Controller issues this Summary Analysis for California policymakers and taxpayers to provide context for viewing the most current financial information on the State's fiscal condition.

This Summary Analysis covers actual receipts and disbursements for June 2010 and Fiscal Year 2009-10 to date. Data are shown for total cash receipts and disbursements, the three largest categories of revenues, and the two largest categories of expenditures.

This report compares actual receipts against historical figures from 2008-09 and the statement of estimated cash flows from the 2010-11 May Revision estimates.

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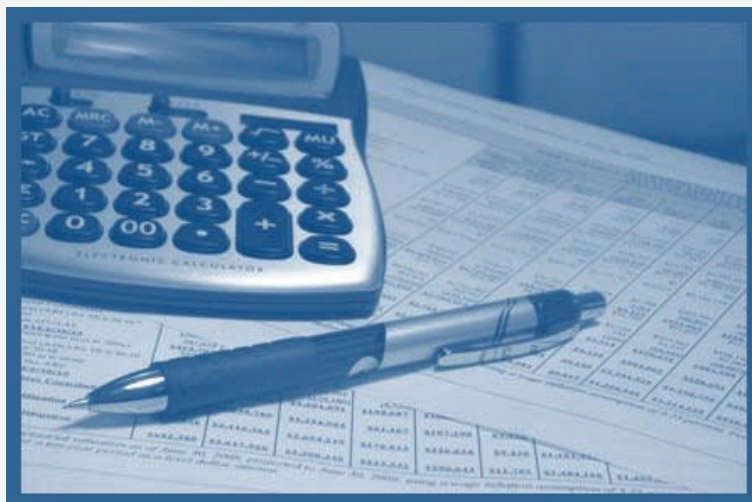
### Tax Revenue Fiscal Year to Date

- ⇒ Compared with 2010-11 May Revision estimates, General Fund revenues through June were above the year-to-date estimate by \$538 million (0.6%). The three largest sources of revenue were higher than the estimates by \$572 million (0.7%). Income taxes were \$725 million better (1.7%) than expected in the 2010-11 May Revision estimates. Corporation tax collections year to date are \$72 million under (-0.8%) the estimates and sales taxes also came in worse than expected by \$81 million (-0.3%). Because the May Revision estimates contained actual revenue through April, this revenue improvement occurred in May and June.
- ⇒ Compared to this date in June 2009, revenue receipts are up by \$1.4 billion (1.7%). This was driven by sales taxes, which came in \$3.0 billion above (12.5%) last year at this time. Personal income taxes were also up \$928 million (2.1%) from last year's total at the end of June.
- ⇒ Year-to-date collections for the three major taxes were \$1.1 billion higher (1.3%) than last year at this time. However, corporate taxes were down \$2.8 billion (-23%) from last year's total.

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*The second half of the 2009-10 fiscal year saw mostly positive results in the State's fiscal position, and General Fund revenues largely tracked with estimates in June 2010.*



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## Summary of Net Cash Position as of June 30, 2010

- ⇒ Through June, the State had total receipts of \$88.7 billion (Table 1) and disbursements of \$86.7 billion (Table 2).
- ⇒ The State's operating cash deficit stands at \$9.9 billion (Table 3), and is being covered with internal borrowing.
- ⇒ Of the largest expenditures, \$60.6 billion went to local assistance and \$23.5 billion went to State operations (See Table 2).
- ⇒ Local assistance payments were \$1.3 billion

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### Borrowable Resources

State law authorizes the General Fund to borrow internally on a short-term basis from specific funds, as needed.

### Payroll Withholding Taxes

"Payroll Withholdings" are income taxes that employers send directly to the State on their employees' behalf. Those amounts are withheld from paychecks during every pay period throughout the calendar year.

### Revenue Anticipation Notes

Traditionally, the State bridges cash gaps by borrowing money in the private market through Revenue Anticipation Notes (RANs). RANs are repaid by the end of the fiscal year.

### Non-Revenue Receipts

Non-revenue receipts are typically transfers to the General Fund from other State funds.

**Table 1: General Fund Receipts, July 1, 2009 - June 30, 2010 (in Millions)\***

Revenue Source	Actual Receipts to Date	2010-11 May Revision Estimate	Actual Over (Under) Estimate
Corporate Tax	\$9,446	\$9,518	(\$72)
Personal Income Tax	\$44,629	\$43,904	\$725
Retail Sales and Use Tax	\$26,659	\$26,740	(\$81)
Other Revenues	\$5,855	\$5,890	(\$35)
<b>Total General Fund Revenue</b>	<b>\$86,590</b>	<b>\$86,052</b>	<b>\$538</b>
Non-Revenue	\$2,065	\$2,186	(\$120)
<b>Total General Fund Receipts</b>	<b>\$88,655</b>	<b>\$88,238</b>	<b>\$417</b>

*\*Note: Some totals on charts may not add up, due to rounding.*

**Table 2: General Fund Disbursements, July 1, 2009-June 30, 2010 (in Millions)**

Recipient	Actual Disbursements	2010-11 May Revision Estimate	Actual Over (Under) Estimate
Local Assistance	\$60,583	\$61,898	(\$1,314)
State Operations	\$23,541	\$23,349	\$193
Other	\$2,544	\$2,783	(\$239)
<b>Total Disbursements</b>	<b>\$86,669</b>	<b>\$88,029</b>	<b>(\$1,360)</b>

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lower (-2.1%) than the 2010-11 May Revision estimates and State operations were \$193 million above (0.8%) projections.

## How to Subscribe to this Publication



This Statement of General Fund Cash Receipts and Disbursements for June 2010 is available on the State Controller's Web site at [www.sco.ca.gov](http://www.sco.ca.gov).

To have the monthly financial statement and summary analysis e-mailed to you directly, sign up at:

[http://www.sco.ca.gov/ard\\_monthly\\_cash\\_email.html](http://www.sco.ca.gov/ard_monthly_cash_email.html)

Any questions concerning this Summary Analysis may be directed to Hallye Jordan, Deputy Controller for Communications, at (916) 445-2636.

**Table 3: General Fund Cash Balance As of June 30, 2010 (in Millions)**

	Actual Cash Balance	2010-11 May Revision Estimate	Actual Over (Under) Estimate
Beginning Cash Balance July 1, 2009	(\$11,908)	(\$11,908)	\$0
Receipts Over (Under) Disbursements to Date	\$1,986	\$208	\$1,778
Cash Balance June 30, 2010	(\$9,922)	(\$11,700)	\$1,778

## California State Controller John Chiang:

300 Capitol Mall, Suite 1850  
Sacramento, CA 95814

P.O. Box 942850  
Sacramento, CA 94250

Telephone: (916) 445-2636

777 S. Figueroa Street, Suite 4800  
Los Angeles, CA 90017

Telephone (213) 833-6010  
Fax: (213) 833-6011

Fax: (916) 445-6379

Web: [www.sco.ca.gov](http://www.sco.ca.gov)

**California Economic Snapshot**

<b>New Auto Registrations</b> (Fiscal Year to Date)	<b>1,190,676</b> Through March 2009	<b>787,554</b> Through March 2010
<b>Median Home Price</b> (for Single Family Homes)	<b>\$230,000</b> In May 2009	<b>\$278,000</b> In May 2010
<b>Single Family Home Sales</b>	<b>39,051</b> In May 2009	<b>40,965</b> In May 2010
<b>Foreclosures Initiated</b> (Notices of Default)	<b>135,431</b> In 1st Quarter 2009	<b>81,054</b> In 1st Quarter 2010
<b>Total State Employment</b> (Seasonally Adjusted)	<b>14,150,200</b> In May 2009	<b>13,905,500</b> In May 2010
<b>Newly Permitted Residential Units</b> (Seasonally Adjusted Annual Rate)	<b>32,903</b> In May 2009	<b>34,520</b> In May 2010
Data Sources: DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance		

## Featured Articles on California's Economy

The opinions in these articles are presented in the spirit of spurring discussion and reflect those of the authors and not necessarily the Controller or his office. This month's report includes an article by Jed Kolko, Associate Director and Research Fellow with the Public Policy Institute of California, and member of the Controller's Council of Economic Advisors.

# The Pace of California's Economy

By Jed Kolko

Associate Director and Research Fellow with the Public Policy Institute of California

California has fared worse than the nation overall during the recession. Housing prices fell far more in California – especially in the state's inland areas – than in most of the country, and state unemployment remains more than two points above the national level. Yet the medium-term and long-term view shows that California's economic performance, through booms and busts, largely tracks or outpaces the U.S. overall.

Understanding California's economic performance requires having the right measures. California's high unemployment rate indicates that many people want to work but are not working, and reflects the stress on households and the demand that government faces to provide social services. However, the unemployment rate is influenced not only by the number of jobs in the economy and how fast employment is growing, but also by the size of the labor force, which in turn depends on population trends and whether people are actively searching for jobs or have

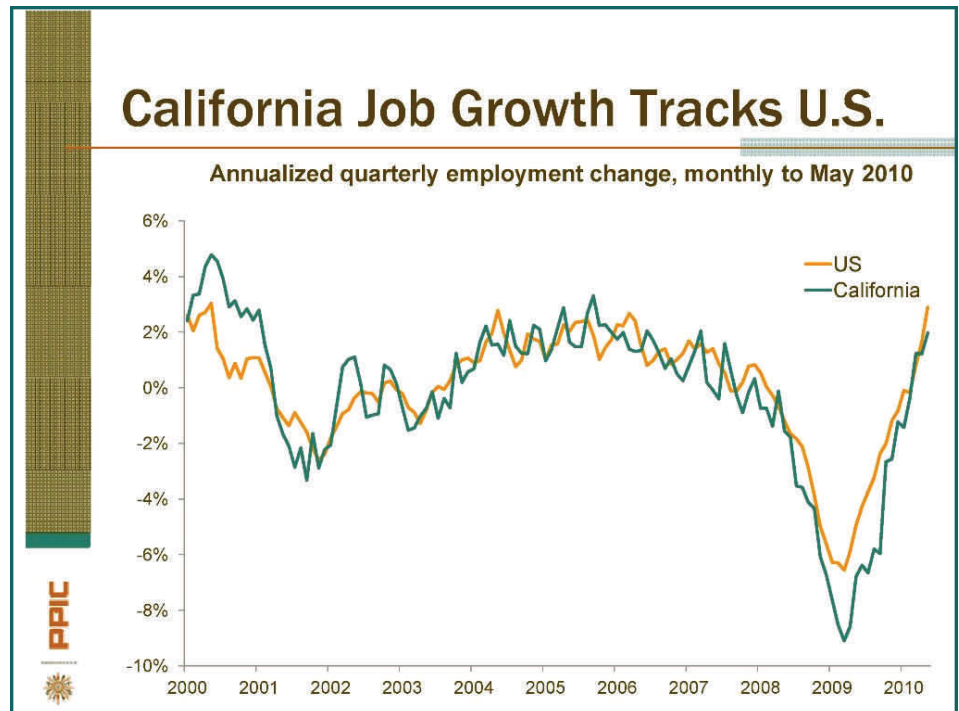


Figure 1

given up looking. Another indicator, businesses leaving the state, gets considerable attention in the media and in political campaigns, but the Public Policy Institute of California's own work has shown that very few businesses move into or out of the state, and the vast majority of jobs created or lost are due to the formation, expansion, contraction, or closure of businesses,

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not relocation. To look at overall economic activity, we focus on employment growth. This measure has advantages of being comprehensive, frequently reported, tracked over many years, and available at the national, state, and local levels.

At the worst of the recession, California's employment contracted at an annualized rate of 9% (March 2009 versus previous quarter) – below the U.S. rate of job loss of 6.5% and far below California's average employment growth rate of 1.0-1.5%. Aside from the worst months of this recession, though, California's employment growth is quite similar to the U.S. overall: Figure 1 shows how closely California's employment growth tracks the U.S. over the past decade and, in fact, exceeded the national rate during the technology boom that started in the late 1990's.

The similar growth rates for California and the U.S. illustrate that the factors that determine California's economic performance are largely beyond California's control: national and global factors, like the recent financial crisis, drive the California economy. When California's growth does diverge from national trends, these gaps are typically due to booms or busts in industries disproportionately concentrated in California, like the aerospace slowdown in the early 1990's and the tech boom in the late 1990's. In the recent recession, California's sharper contraction was due, in part, to the national slowdown in housing and construction — industries disproportionately concentrated in many parts of the state.

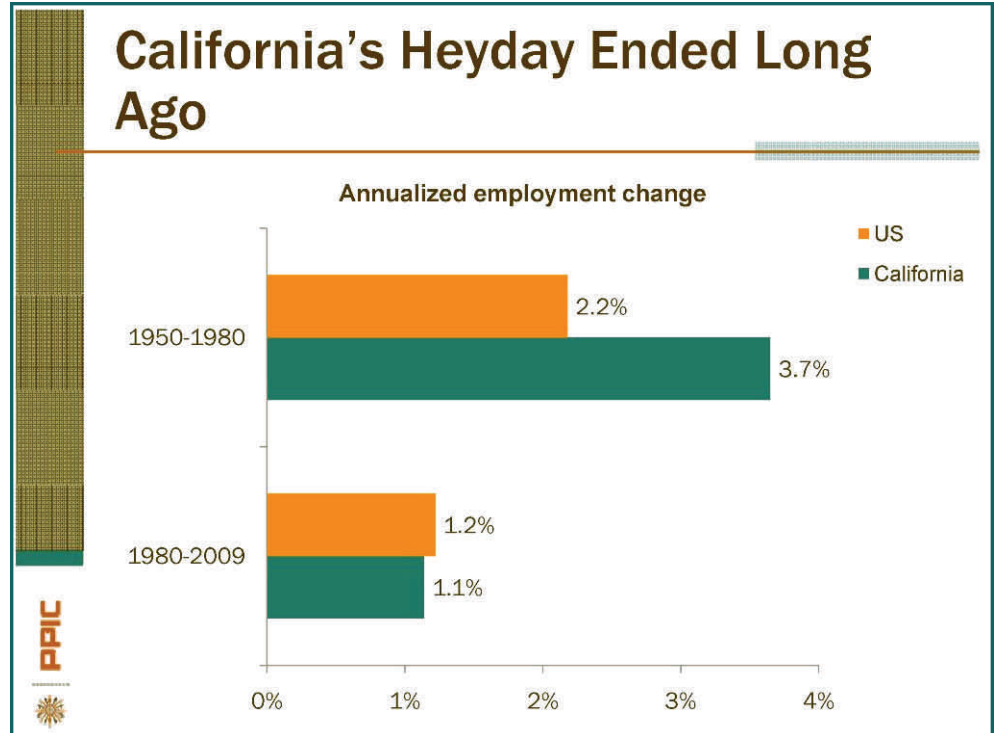


Figure 2

Since California's growth keeps up with the U.S. generally, why is there such widespread concern about California's business climate and the future of the state's economy? This concern may arise, in part, from contrasting California's keeping-up speed today with its pace-setting growth decades ago. As Figure 2 shows, employment growth in California has been similar to the U.S. since 1980. But between 1950 and 1980, California's growth outpaced the U.S. considerably, 3.7% annually versus 2.2%. Although the U.S. overall has slowed in the post-1980 period versus pre-1980, California's has slowed much more, erasing the gap with the U.S. that California experienced in the decades after World War II. What happened to California? California's post-1980 economy is different from pre-1980 in too many ways to single out a primary reason, though rising housing prices – which themselves are a product of rapid growth – surely contributed, especially in the urban coastal parts of the state.