

Controller *John Chiang*

California State Controller's Office



January 2009 Summary Analysis

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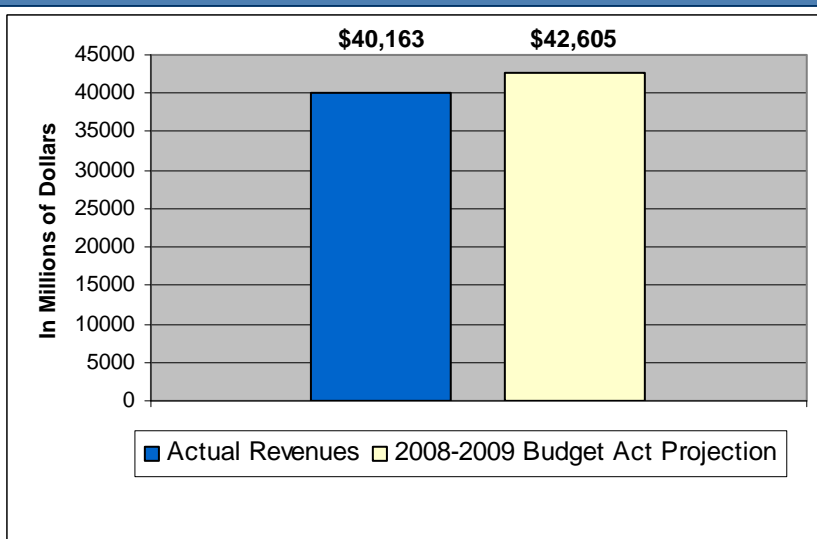
Statement of General Fund Cash Receipts and Disbursements

Tax Revenue in December 2008

- ⇒ In December 2008, General Fund revenue was \$831 million below (-8.8%) the Budget Act estimate for the month. Personal income taxes were below the Budget Act estimate by \$392 million (-8%), sales taxes were \$219 million below (-9.5%) the Budget Act estimate and corporate taxes lagged behind by \$540 million (-29.4%). Together the three largest taxes (income, sales, and corporate) were \$1.15 billion below (-12.7%) the Budget Act estimate.
- ⇒ Revenue in December was artificially boosted by the same timing issues that hurt November revenue – the late Thanksgiving holiday delayed the posting of many tax payments until the first week of December.
- ⇒ Compared to December 2007, General Fund revenue in December 2008 was down by \$270 million (-3%). The

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Table 1: General Fund Revenues: July 1, 2008–Dec. 31, 2008 (in Millions)



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 December 2008 and year to date for the first six months of Fiscal Year 2008-09. Data are shown for total cash receipts and disbursements, the three largest categories of revenues, and the two largest categories of expenditures. The final Budget was passed on September 23, 2008. The Budget Act cash flow numbers used as a comparison this month show actual revenue through September and projections for the remainder of the fiscal year. The Budget Act cash flows use the base revenue forecast in the 2008 May Revision with updates which include revenue accelerations in the Budget Act.

The Governor will soon release updated cash projections for 2008-09 as part of his 2009-10 budget proposals and revenues and expenditures will again be revised. The budget proposal will be revised again in May 2009. As each of these become available, this report will incorporate those updated cash flows.

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total for the three largest taxes was below 2007 levels by \$384 million (-4.6%). Again, the year-over-year decline was minimized by timing issues associated with the late Thanksgiving holiday, which pushed November receipts into December. Corporate taxes were below 2007 levels by \$107 million (-7.6%), and personal income taxes were down by \$311 million (-6.4%).

⇒ Sales taxes were \$33 million higher (1.6%) than last December. These receipts do not reflect all holiday spending. The balance of holiday sales tax receipts will be seen in late January and early February.

Tax Revenue Fiscal Year to Date

⇒ Compared to the Budget Act, General Fund revenue is under the year-to-date estimates by \$2.4 billion (-5.7%). The three largest taxes were below the Budget Act estimate by \$2.4 billion (-6.1%).

Sales taxes were under the year-to-date estimate by \$883 million (-6.7%), income taxes lagged by \$1 billion (-4.6%), and corporate taxes were under the Budget Act estimate by \$518 million (-12%). Because the Budget Act contained actual figures through September 2008, this revenue deterioration occurred between the months of October and December.

⇒ Compared to this date last fiscal year, revenues are \$1.9 billion lower (-4.5%). The “Not Otherwise Classified” category was the only category that showed significant growth on a year-over-year comparison, primarily because it contains unclaimed property collections that were virtually halted last year as new rules for locating owners were instituted.

⇒ Year-to-date collections for the three major taxes were \$2.7 billion below (-6.8%) last year at this time. Retail sales were down \$962 million (-7.3%), corporate taxes slipped by \$795 million (-17.4%), and income taxes were \$946 million lower (-4.3%) than last year’s totals on December 31.

Table 2: General Fund Receipts, July 1, 2008-December 31, 2008 (in Millions)

Revenue Source	Actual Receipts To Date	2008-2009 Budget Act Estimate	Actual Over (Under) Estimate
Bank And Corporate Tax	\$3,787	\$4,306	(\$518)
Personal Income Tax	\$21,182	\$22,199	(\$1,017)
Retail Sales and Use Tax	\$12,229	\$13,112	(\$883)
Other Revenues	\$2,965	\$2,988	(\$23)
Total General Fund Revenue	\$40,163	\$42,605	(\$2,442)
Non-Revenue	\$1,254	\$1,105	\$149
Total General Fund Receipts	\$41,417	\$43,710	(\$2,293)

Note: Some totals on charts may not add, due to rounding

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Summary of Net Cash Position as of December 31, 2008

- ⇒ Through December, the State had total receipts of \$41.4 billion (Table 2) and disbursements of \$59.1 billion (Table 4). The current year deficit of \$17.7 billion (Table 3) is covered by \$5 billion in Revenue Anticipation Notes (RANs) and \$12.7 billion of internal borrowing.
- ⇒ Of the largest expenditures, \$43.4 billion went to local assistance and \$15 billion went to State operations (Table 4).
- ⇒ Total receipts were \$2.3 billion lower (-5.2%) than anticipated in the Budget Act. Revenue receipts were down by \$2.4 billion (-5.7%), and nonrevenue receipts were up by \$149 million (13.5%). Nonrevenue receipts are primarily transfers from other funds.
- ⇒ Disbursements through December were \$444 million lower (-0.7%) than estimated in the Budget Act. Local assistance payments were \$1.2 billion less (-2.8%) than expected, primarily because of timing issues associated with school payments. Those payments are expected to be made in future months.
- ⇒ Payments for State operations for the fiscal year to date were \$725 million higher than estimated in the Budget Act. Some of the unexpected costs were related to firefighting expenses and debt service.
- ⇒ The State ended last fiscal year with a net cash deficit of \$1.45 billion. That deficit was covered by internal borrowing. The total year-to-date deficit of \$19.2 billion (\$1.45

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Table 3: General Fund Cash Balance As of December 31, 2008 (in Millions)

	Actual Cash Balance	2008-2009 Budget Act Estimate	Actual Over (Under) Estimate
Beginning Cash Balance July 1, 2008	(\$1,452)	(\$1,452)	\$0
Receipts Over (Under) Disbursements to Date	(\$17,702)	(\$15,854)	(\$1,848)
Cash Balance December 31, 2008	(\$19,154)	(\$17,306)	\$(1,848)

Estimated Taxes

Estimated tax payments are generally filed quarterly to pay taxes due on income not subject to withholding. This can include income from self-employment, interest, dividends, gains from asset sales, or if insufficient income tax is being withheld from a salary, pension, or other income.

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, to bridge cash gaps the state borrows money in the private market by issuing Revenue Anticipation Notes (RANs). RANs are repaid by the end of the fiscal year.

Borrowable Resources

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

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billion from last year and \$17.7 billion from this year) is covered by internal borrowing and RANs. Five billion dollars in RANs were issued in October. Loans from internal sources now total \$14.2 billion. At the end of December, the State had \$3.2 billion remaining in borrowable resources. Internal loans will be repaid according to cash management procedures as resources are available.

How to Subscribe to this Publication

This Statement of General Fund Cash Receipts and Disbursements for December 2008 is available on the State Controller's Web site at www.sco.ca.gov. To have the monthly financial statement and summary analysis e-mailed to you directly, sign up at www.sco.ca.gov/ard/cash/email-sub.shtml.

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

Table 4: General Fund Disbursements, July 1, 2008-December 31, 2008 (in Millions)

Recipient	Actual Disbursements	2008-2009 Budget Act Estimate	Actual Over (Under) Estimate
Local Assistance	\$43,361	\$44,590	(\$1,230)
State Operations	\$15,040	\$14,314	\$725
Other	\$718	\$659	\$59
Total Disbursements	\$59,119	\$59,563	(\$444)

California Economic Snapshot

New Auto Registrations (Fiscal Year to Date)	668,919 Through Nov. 2007	501,708 Through Nov. 2008
Median Home Price (for Single Family Homes)	\$490,511 In Nov. 2007	\$285,680 In Nov. 2008
Single Family Home Sales (Seasonally Adjusted Annual Rate)	280,920 In Nov. 2007	514,710 In Nov. 2008
Foreclosures Initiated (Notices of Default)	72,571 In 3rd Quarter 2007	94,240 In 3rd Quarter 2008
Total State Employment (Seasonally Adjusted)	15,159,600 In Nov. 2007	15,023,600 In Nov. 2008
Newly Permitted Residential Units (Seasonally adjusted Annual Rate)	73,800 In Nov. 2007	69,200 In Nov. 2008

Data Sources: California Association of REALTORS (sales data), DataQuick (foreclosure data), California Employment Development Department, Construction Industry Research Board

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