

Controller *John Chiang*

California State Controller's Office



April 2010 Summary Analysis

Volume 4, Issue 4

Statement of General Fund Cash Receipts and Disbursements

State Finances in March 2010

- ⇒ The State's General Fund revenues continued to improve in March 2010. Compared to estimates found in the 2010-11 Governor's Budget, total General Fund revenues were \$356 million higher (5.9%) than expected. Sales tax revenues were \$264 million lower (-11.2%) than anticipated. However, corporate tax revenues came in above projections by \$516 million (50.3%) and personal income taxes also did better than expected by \$8.4 million (0.4%).
- ⇒ At this time last year, the State was forced to delay \$4.8 billion in payments to manage a cash crisis. To present a true comparison against that period, last year's revenues are adjusted to account for those delays. Compared to March 2009, General Fund revenue in March 2010 was up \$906 million (16.6%). The total for the three largest taxes was above 2009 levels by \$734 million (14.0%). Although corporate taxes were down by \$329 million (-17.6%), sales taxes were \$464 million higher (28.3%) than last year and personal income taxes came in \$599 million above (34.4%) last March.

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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 March 2010 and year to date for the first nine months of Fiscal Year 2009-10. 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 Governor's Budget.

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Tax Revenue Fiscal Year to Date

- ⇒ Compared with the 2010-11 Governor's Budget, General Fund revenues through March were above the year-to-date estimate by \$2.3 billion (4.1%). The three largest sources of revenue were above estimates by \$2.12 billion (4.0%). Corporate tax collections year to date were up \$792 million (15.8%) from estimates. Income taxes were \$877 million higher (3.1%) than expected, and sales taxes were also up \$453 million (2.4%). Because the Governor's Budget estimates contained actual figures through November, this revenue improvement occurred between December 2009 and March 2010.
- ⇒ Compared to this date in March 2009, revenue receipts were up by \$1.16 billion (2.0%). This was driven by sales taxes, which came in \$2.08 billion above (11.8%) the same time last year.
- ⇒ Year-to-date collections for the three major taxes were \$884 million higher (1.6%) than last year at this time. However, personal income taxes were down \$979 million (-3.2%) and corporate taxes were down \$219 million (-3.6%) from last year's total at the end of March.

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What The Numbers Tell Us

The State's General Fund revenues in March provided further evidence that our economy is on the mend. California's revenues are well over \$1 billion higher than they were at this point in Fiscal Year 2008-09. Critically, this has come on the back of very strong consumer performance, with taxable sales up by 4.4% and 2.4% in the third and fourth quarters of 2009, respectively.

However, personal income taxes and corporate taxes in particular are still noticeably below last year. Up to this point in the year, these two revenue sources have reduced by



more than half the net impact of the strong sales tax numbers on the General Fund. Additionally, estimated tax payments traditionally paid by small business owners and the self-employed are down by more than 23% compared to

last year. This shows that although the worst is likely behind us, it will be a long slog coming out the other end of this recession.

Recent data from the labor markets lends credence to the idea that this recovery will be a slow one. California's unemployment rate held steady at 12.5% in February, and the national unemployment remained unchanged at 9.7% in March. That the decline in the unemployment rate will be slow is no surprise — as the economy begins to heal, workers who became discouraged begin to search for work again. This will initially put upward pressure on the rate, as it will take time for them to find employment. And, while the unemployment rate is expected to fall in the coming months, the declines will be marginal for this reason.

Nationwide, we did see employment grow by roughly 162,000 in March. This comes after more than 24 months of nearly consecutive declines. Unfortunately, this increase represents less than 2% of the roughly 8.4 million jobs this country has lost since the end of 2007. In California, we have yet to see any significant job growth. Employers are expected to begin adding to their payrolls in the short-term, but this evidence suggests that it will be many years before the state gets back to its peak level of economic activity.

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Summary of Net Cash Position as of March 31, 2010

- ⇒ Through March, the State had total receipts of \$60.3 billion (Table 1) and disbursements of \$71.0 billion (Table 2).
- ⇒ The State ended last fiscal year with a deficit of \$11.9 billion, so the combined current year deficit stands at \$22.6 billion (Table 3). Those deficits are being covered with \$13.8 billion of internal borrowing and \$8.8 billion in external borrowing.
- ⇒ Of the largest expenditures, \$52.4 billion went to local assistance and \$17.1 billion went to State operations (See Table 2).

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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 - March 31, 2010 (in Millions)*

Revenue Source	Actual Receipts to Date	2010-11 Governor's Budget Estimate	Actual Over (Under) Estimate
Corporate Tax	\$5,808	\$5,016	\$792
Personal Income Tax	\$29,291	\$28,414	\$877
Retail Sales and Use Tax	\$19,710	\$19,257	\$453
Other Revenues	\$3,782	\$3,603	\$178
Total General Fund Revenue	\$58,591	\$56,290	\$2,301
Non-Revenue	\$1,736	\$1,763	(\$26)
Total General Fund Receipts	\$60,327	\$58,052	\$2,274

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

Table 2: General Fund Disbursements, July 1, 2009-March 31, 2010 (in Millions)

Recipient	Actual Disbursements	2010-11 Governor's Budget Estimate	Actual Over (Under) Estimate
Local Assistance	\$52,406	\$52,691	(\$285)
State Operations	\$17,112	\$17,343	(\$231)
Other	\$1,497	\$1,552	(\$56)
Total Disbursements	\$71,014	\$71,586	(\$572)

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⇒ Local assistance payments were \$285 million lower (-0.5%) than the 2010-11 Governor's Budget. State operations were \$231 million below (-1.3%) estimates as well.

How to Subscribe to this Publication

This Statement of General Fund Cash Receipts and Disbursements for March 2010 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:

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 March 31, 2010 (in Millions)**

	Actual Cash Balance	2010-11 Governor's Budget Estimate	Actual Over (Under) Estimate
Beginning Cash Balance July 1, 2009	(\$11,908)	(\$11,908)	\$0
Receipts Over (Under) Disbursements to Date	(\$10,687)	(\$13,533)	\$2,846
Cash Balance March 31, 2010	(\$22,595)	(\$25,441)	\$2,846

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California Economic Snapshot

New Auto Registrations (Fiscal Year to Date)	511,314 Through November 2008	431,951 Through November 2009
Median Home Price (for Single Family Homes)	\$224,000 In February 2009	\$249,000 In February 2010
Single Family Home Sales	29,225 In February 2009	28,111 In February 2010
Foreclosures Initiated (Notices of Default)	75,230 In 4th Quarter 2008	84,568 In 4th Quarter 2009
Total State Employment (Seasonally Adjusted)	14,401,000 In February 2009	13,814,600 In February 2010
Newly Permitted Residential Units (Seasonally Adjusted Annual Rate)	34,343 In February 2009	48,907 In February 2010
Data Sources: DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance		