

Controller *John Chiang*

California State Controller's Office



December 2011 Summary Analysis

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Statement of General Fund Cash Receipts and Disbursements

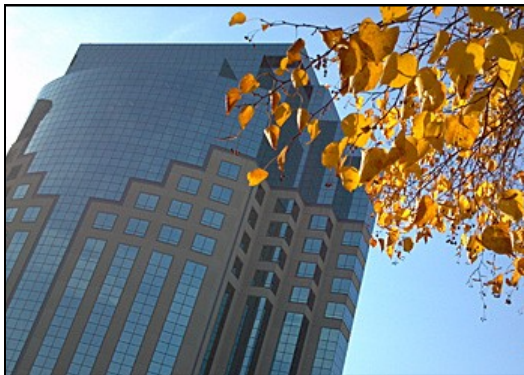
State Finances in November 2011

- ⇒ Compared to the 2011 Budget Act Estimates, total General Fund revenues in November 2011 were \$497.7 million better (8.9%) than expected. Personal income tax revenues came in above the estimates by \$531.4 million (19.6%). Corporate taxes were also higher than expected by \$57.9 million (53.6%). Sales tax revenues were \$100,000 lower than anticipated.
- ⇒ Compared to November 2010, General Fund revenue in November 2011 was down \$681.1 million (-10.1%). The total for the three largest taxes was below 2010 levels by \$612.4 million (-9.7%). This was driven by sales taxes, which came in below last November by \$1.3 billion (-36.6%), and corporate taxes,

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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 November 2011 and year to date for the first five months of Fiscal Year 2011-12. 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 2010-11 and the statement of estimated cash flows from the 2011 Budget Act.

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which were below last November by \$35.9 million (-17.8%). However, personal income taxes were \$729.3 million higher (29.1%) than November 2010.

Tax Revenue Fiscal Year to Date

- ⇒ Compared with the 2011 Budget Act Estimates, General Fund revenue in November was below the year-to-date estimate by \$1.0 billion (-3.4%). Income taxes came in better than expected by \$582.2 million (3.5%) in the 2011 Budget Act Estimates. Sales tax collections came in worse than expected by \$180.2 million (-2.2%). Corporate tax collections year to date were below the estimates by \$166.1 million (-8.5%).
- ⇒ Compared to this date in November 2010, revenue receipts are down by \$2.7 billion (-8.7%). This was driven by sales taxes, which came in \$3.0 billion (-26.7%) below last year at this time. Corporate taxes were down \$230.2 million (-11.4%) from last year's total at the end of November.

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What the Numbers Tell Us

General Fund revenues came in nearly \$500 million higher than anticipated last month. Personal income tax alone was more than \$729 million over last November. In addition, corporate taxes finally posted a significant increase in November after a relatively lackluster showing in October. Even sales taxes, which had been slipping in recent months, came in basically in-line with expectations.

In fact, General Fund revenues would have performed even more strongly in November but for the large variance in the “Not Otherwise Classified” category. This is where the additional \$4 billion in anticipated revenues was allocated at the time of the Budget Act’s passage. These are the same revenues attached to the mid-year “trigger” cuts passed as part of the budget deal — kicking in if some or all of this additional \$4 billion in revenues failed to materialize. Outside of this, November was a fairly good month for California’s General Fund revenues. The “Big 3” sources of revenue, personal income, corporate, and sales tax, which account for roughly 90% of revenues, came in almost \$600 million higher than expectations.

On a year-to-date basis revenues look better than they did in October. The state is tracking roughly \$1 billion below the estimates, but again, this variance is almost entirely explained by the “Not Otherwise Classified” category. Indeed, outside of this unallocated \$4 billion in revenues, the Legislative Analysts’ Office recently forecasted that revenues would come in roughly 0.5% higher than anticipated in the Budget Act. So far, the Big 3 are tracking even higher than that—coming in 0.9% higher than expected during the first five months of fiscal 2011-12.

The economic recovery continues in the Golden State, and is even accelerating past the U.S. in many areas. Still, the failure of the additional \$4 billion in revenues to materialize means that mid-year cuts may occur. That would affect K-12, community colleges, and the university systems in the state along with several other social services. Revenues continue to improve, but California is not out of the woods. There is still an imbalance between what’s being received and what we are spending. Ultimately, revenues will not be back to their pre-recession peaks for some time, which means that there are still many tough decisions ahead.

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⇒ Year-to-date collections for the three major taxes were \$2.4 billion lower (-8.2%) than last year at this time. Personal income taxes were up \$780.1 million (4.8%) from last year's total at the end of November.

Summary of Net Cash Position as of November 30, 2011

⇒ Through November, the State had total receipts of \$31.2 billion (Table 1) and disbursements of \$44.4 billion (Table 2).

⇒ The State ended last fiscal year with a deficit of \$8.2

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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, 2011 – November 30, 2011 (in Millions)*

Revenue Source	Actual Receipts to Date	2011 Budget Act	Actual Over (Under)
Corporate Tax	\$1,795	\$1,961	(\$166)
Personal Income Tax	\$17,083	\$16,501	\$582
Retail Sales and Use Tax	\$8,185	\$8,365	(\$180)
Other Revenues	\$1,885	\$3,139	(\$1,254)
Total General Fund Revenue	\$28,948	\$29,966	(\$1,018)
Non-Revenue	\$2,209	\$2,311	(\$102)
Total General Fund Receipts	\$31,156	\$32,277	(\$1,120)

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

Table 2: General Fund Disbursements, July 1, 2011– November 30, 2011 (in Millions)

Recipient	Actual Disbursements	2011 Budget Act	Actual Over (Under) Estimate
Local Assistance	\$33,308	\$31,364	\$1,944
State Operations	\$11,265	\$11,507	(\$241)
Other	(\$130)	(\$379)	\$249
Total Disbursements	\$44,444	\$42,492	\$1,952

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billion. The combined current year deficit stands at \$21.5 billion (Table 3). Those deficits are being covered with \$16.1 billion of internal borrowing and \$5.4 billion of external borrowing.

- ⇒ Of the largest expenditures, \$33.3 billion went to local assistance and \$11.3 billion went to State operations (See Table 2).
- ⇒ Local assistance payments were \$1.9 billion higher (6.2%) than the 2011 Budget Act Estimates and State operations were \$241.3 million below (-2.1%).

Table 3: General Fund Cash Balance As of November 30, 2011 (in Millions)

	Actual Cash Balance	2011 Budget Act	Actual Over (Under) Estimate
Beginning Cash Balance July 1	(\$8,164)	(\$8,164)	\$0
Receipts Over (Under) Disbursements to Date	(\$13,288)	(\$10,216)	(\$3,072)
Cash Balance November 30, 2011	(\$21,452)	(\$18,380)	(\$3,072)

How to Subscribe to This Publication

This Statement of General Fund Cash Receipts and Disbursements for December 2011 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.



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

California Economic Snapshot

New Auto Registrations (Fiscal Year to Date)	85,911 Through July 2010	97,777 Through July 2011
Median Home Price (for Single-Family Homes)	\$256,000 In October 2010	\$240,000 In October 2011
Single-Family Home Sales	32,669 In October 2010	34,087 In October 2011
Foreclosures Initiated (Notices of Default)	83,261 In 3rd Quarter 2010	71,275 In 3rd Quarter 2011
Total State Employment (Seasonally Adjusted)	13,912,600 In October 2010	14,151,600 In October 2011
Newly Permitted Residential Units (Seasonally Adjusted Annual Rate)	34,099 In October 2010	41,087 In October 2011

Data Sources: DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance