



Controller Betty T. Yee

California State Controller's Office

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.sco.ca.gov

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Contact: TARYN KINNEY
(916) 324-2709

CA Controller's June Cash Report Highlights Volatility of Personal Income Taxes

SACRAMENTO—California total revenues fell short of expectations for the third straight month in June, but overall revenues for the fiscal year outpaced projections made in the 2015-16 budget by \$978.6 million, according to State Controller Betty T. Yee's monthly report of California's cash balance, receipts, and disbursements published today.

June revenues were \$524.4 million—or 3.1 percent—lower than anticipated in the Governor's revised budget released two months ago. Of the state's three major revenue sources, only corporation taxes outpaced expectations in June, coming in at \$2.5 billion, which was 7.8 percent higher than anticipated.

Personal income taxes, the primary and highly volatile source of California's General Fund revenues, fell short of May Revision estimates by \$803.8 million in June. Retail sales and use taxes also missed projections by \$14.5 million.

For the entire 2015-16 fiscal year that ended June 30, personal income tax accounted for the bulk of growth, beating last summer's budget projections by almost \$1.8 billion. Corporation taxes came in \$698 million lower than anticipated, while sales taxes fell \$307.5 million short.

While fiscal year revenues beat 2015-16 budget projections, they fell \$678.8 million short of rosier estimates released in May. The Governor's Department of Finance anticipated personal income taxes would continue their recent growth trend, but these taxes are a notoriously unpredictable revenue source, as outlined in a by Controller Yee and her Council of Economic Advisors on Tax Reform.

California disbursed \$7.8 billion more in the 2015-16 fiscal year than in the previous year. This amount included \$6.7 billion for local assistance—mostly K-12 school spending set by Proposition 98 of 1988. However, total disbursements for the fiscal year were \$1.5 billion lower than projected in the May Revision.

As Controller Yee predicted last summer, California did not have to pursue external borrowing in 2015-16. California did end the fiscal year with \$646.2 million in internal borrowing, which was \$896.2 million less than May Revision expectations. The state ended the fiscal year without a positive cash balance for the first time since FY 2012-13.

As of June 30, the amount available for internal borrowing from the state's own funds was \$35.9 billion, exceeding the May Revision estimate by almost \$3.5 billion.

For more details, read the . Additional analysis of California's finances is available in Controller Yee's new issue of .

As the chief fiscal officer of California, Controller Yee is responsible for accountability and disbursement of the state's financial resources. The Controller also safeguards many types of property until claimed by the rightful owners, and has independent auditing authority over government agencies that spend state funds. She is a member of numerous financing authorities, and fiscal and financial oversight entities including the Franchise Tax Board. She also serves on the boards for the nation's two largest public pension funds. Elected in 2014, Controller Yee is the tenth woman elected to a statewide office in California's history. Follow the Controller on Twitter at [@CAController](https://twitter.com/CAController) and on Facebook at [California State Controller's Office](https://www.facebook.com/CaliforniaStateController).

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