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Westly Updates Governor on Cash Flow and Urges Bipartisan Budget Solution

Controller Calls on Governor to Drop Special Election and Focus on Budget

SACRAMENTO – State Controller Steve Westly today sent a letter to Governor Arnold Schwarzenegger announcing that cash receipts through April have increased 15.4 percent over the same period last fiscal year, attributing much of the growth to California’s successful tax amnesty program.

“Without this year’s amnesty program, we would be tracking closely with current budget estimates.” Westly said.

Westly also called for fiscal responsibility with the amnesty money, highlighting the need to use the new funds to reduce borrowing and to stimulate economic growth through transportation investments.

“While these numbers help provide a clearer budget picture, they also emphasize that the state still faces financial challenges,” Westly said in the letter. “We should now focus on negotiating an on-time budget – not on holding a costly special election that only increases the partisan divide.”

Key revenue sources – including income and sales taxes – continue to track with current budget estimates for the year. Actual receipts to date for the current fiscal year are \$4.4 billion higher than the most recent budget forecast, an increase of 6.8 percent.

April personal income tax receipts were \$7.7 billion, up 11 percent from last year, while retail sales and use taxes for the month were \$945.5 million, up 32.4 percent from last year.

July through April receipts continued to show gains compared to the same ten months last fiscal year, according to the State Controller’s monthly General Fund Cash Basis Revenue Report. Personal income taxes were 12.2 percent higher; retail sales and use taxes were 4.7 percent higher; and corporation taxes were 68.6 percent higher.

Personal income taxes came in at \$35.2 billion, \$3.8 billion above last year. Retail sales and use taxes came in at \$19.2 billion this year, \$856.5 million above the same period last fiscal year.

Corporation taxes yielded \$10.6 billion, \$4.3 billion above last year. One-time amnesty related protective claims account for the majority of the increase in corporation taxes.

Text of Westly’s letter and excerpt of General Fund Cash Basis Revenue report follow.

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STEVE WESTLY
California State Controller

May 5, 2005

Honorable Arnold Schwarzenegger
Governor of California
State Capitol Building
Sacramento, CA 95814

Dear Governor Schwarzenegger:

Today, my office announced that cash receipts through April have increased by 15.4 percent over the same period last fiscal year. However, we can attribute much of this increase to the State's successful tax amnesty program. Without amnesty, we would be tracking closely with the 2005-06 proposed budget estimates.

I believe that we should be fiscally prudent with the amnesty money, and that it should only be used to reduce further borrowing and invest in necessary transportation projects that will preserve jobs and stimulate our economy.

While these numbers help provide a clearer budget picture, they also emphasize that the State still faces financial challenges. We should now focus on negotiating an on-time budget – not on holding a costly special election.

Local governments would bear the cost of a special election, estimated at \$70 million. At a time when local services are already facing significant cuts, this would only add to existing financial strain.

A special election only increases the partisan divide in California. It also increases the risks of a drawn out budget process, which could lead to a downgrade in the State's credit rating. And without a budget, the businesses, schools, and non-profits that receive state funding will suffer.

For these reasons, I urge you to eliminate the call for a special election later this year. And, I encourage you to focus on finding a bipartisan budget solution.

Please let me know if there is any additional information my office can provide as you prepare your May Revise for submission to the State Legislature.

Sincerely,

STEVE WESTLY
State Controller

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General Fund Cash Basis Revenues for the Month of April 2005 **
Comparison of April 2005 to April 2004

In thousands

	Month of April		Comparison	
	2005	2004	Amount	%
Alcoholic Beverage Excise Tax	23,903	25,640	(1,737)	(6.8)
Corporation Tax	4,351,115	1,854,421	2,496,694	134.6
Cigarette Tax	14,639	8,092	6,547	80.9
Estate, Inheritance, and Gift Tax	26,744	44,533	(17,789)	(39.9)
Insurance Companies Tax	629,768	700,968	(71,200)	(10.2)
Personal Income Tax	7,724,930	6,959,441	765,489	11.0
Retail Sales and Use Taxes	945,549	714,274	231,275	32.4
Pooled Money Investment Interest	15,122	6,750	8,372	124.0
Not Otherwise Classified	129,511	94,679	34,832	36.8
Total Revenues	13,861,281	10,408,798	3,452,483	33.2

General Fund Cash Basis Revenues for the Fiscal Year through April 2005 *
Comparison of Fiscal Year 2004-05 to 2003-04

In thousands

	July 1 through April 30		Comparison	
	2005	2004	Amount	%
Alcoholic Beverage Excise Tax	257,910	261,026	(3,116)	(1.2)
Corporation Tax	10,588,527	6,279,102	4,309,425	68.6
Cigarette Tax	101,150	94,991	6,159	6.5
Estate, Inheritance, and Gift Tax	394,855	485,983	(91,128)	(18.8)
Insurance Companies Tax	1,746,573	1,686,826	59,747	3.5
Personal Income Tax	35,195,519	31,381,314	3,814,205	12.2
Retail Sales and Use Taxes	19,224,823	18,368,334	856,489	4.7
Pooled Money Investment Interest	119,127	88,415	30,712	34.7
Not Otherwise Classified *	1,427,953	1,220,313	207,640	17.0
Total Revenues	69,056,437	59,866,304	9,190,133	15.4

* Excludes 2,263,609 received on 09/30/03 from the issuance of Tobacco Securitization Bonds

** This information is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

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General Fund Cash Basis Revenues for the Month of April 2005 *
Comparison of Actual Amounts to 2005-06 Governor's Budget Estimate
 In thousands

	Month of April		Actual Over or (Under) Estimate	
	Actual	Governor's Budget Estimate	Amount	%
Alcoholic Beverage Excise Tax	23,903	25,000	(1,097)	(4.4)
Corporation Tax	4,351,115	1,304,000	3,047,115	233.7
Cigarette Tax	14,639	10,000	4,639	46.4
Estate, Inheritance, and Gift Tax	26,744	22,000	4,744	21.6
Insurance Companies Tax	629,768	377,000	252,768	67.0
Personal Income Tax	7,724,930	7,275,000	449,930	6.2
Retail Sales and Use Taxes	945,549	544,000	401,549	73.8
Pooled Money Investment Interest	15,122	17,000	(1,878)	(11.0)
Not Otherwise Classified	129,511	47,000	82,511	175.6
Total Revenues	13,861,281	9,621,000	4,240,281	44.1

General Fund Cash Basis Revenues for the Fiscal Year through April 2005 *
Comparison of Actual Amounts to 2005-06 Governor's Budget Estimate
 In thousands

	July 1 through April 30		Actual Over or (Under) Estimate	
	Actual	Governor's Budget Estimate	Amount	%
Alcoholic Beverage Excise Tax	257,910	253,009	4,901	1.9
Corporation Tax	10,588,527	7,217,452	3,371,075	46.7
Cigarette Tax	101,150	97,646	3,504	3.6
Estate, Inheritance, and Gift Tax	394,855	361,570	33,285	9.2
Insurance Companies Tax	1,746,573	1,750,330	(3,757)	(0.2)
Personal Income Tax	35,195,519	34,438,011	757,508	2.2
Retail Sales and Use Taxes	19,224,823	18,977,401	247,422	1.3
Pooled Money Investment Interest	119,127	148,803	(29,676)	(19.9)
Not Otherwise Classified	1,427,953	1,405,822	22,131	1.6
Total Revenues	69,056,437	64,650,044	4,406,393	6.8

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