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Executive Director

June 30, 2010

Dear Finance Director:

Flat Growth – 2Q10 Advance Period

This letter is to inform you that we have applied a flat growth factor to the Second Quarter 2010 (2Q10) advance payments. The latest Department of Finance growth factor projections, dated June 28, 2010, provides for a 5.7% positive growth factor for the 2Q10 period. The following explains why Local Revenue Staff decided to apply a flat growth factor to the 2Q10 quarterly advances:

1. A review of the statewide cash receipts for the April 2010 prepayment disclosed a 3.53% drop from last year's first prepayment. (Note: The cash receipts amounts were adjusted for the 1% state increase going directly to the state in arriving at the percentage change).
2. A comparison of 1Q10 Sales and Use Tax returns was made to 1Q09 Sales and Use Tax returns for all jurisdictions. The comparison disclosed that there was an overall increase of approximately .25% for all local jurisdictions and .33% for all special add-on jurisdictions statewide.

In light of the above, Local Revenue Staff elected to proceed with a flat growth factor and continue to monitor the statewide cash receipts for the remainder of the calendar quarter to determine whether adjustments (positive or negative) will be required to the August 2010 advance (Advance #3 of Second Qtr 2010). We will keep you informed of the outcome of the 2nd Qtr 2010 cash receipts once they are determined.

If you have any questions concerning any of the information provided you can contact us via e-mail at EWGroup@boe.ca.gov or call either Sonia Calistro or Jim Kendrick at (916) 324-3000.

Sincerely,

L. D. Micheli
Supervisor
Local Revenue Allocation Unit