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March 4, 2010

RAMON J. HIRSIG  
Executive Director

Dear Finance Director:

No Adjustment – February 2010 Advance

This letter is to inform you that no additional adjustments were made to the February 2010 advance payments. The following will explain the reasons that an adjustment was not made.

As you know, economic conditions continue to cause a decline in taxable sales activity and sales tax revenues as compared to prior like periods. When the advances for the Fourth Quarter 2009 (4Q09) were finalized in December 2009, we informed you that a growth factor of -5.0% would be applied to advances. At that time, the Department of Finance projected a flat or 0% growth for the 4Q09 period. On January 19, 2010, the Department of Finance (DOF) released revised Growth Rate Projections which included an estimated -9.2% growth factor for the 4Q09. A review of the statewide cash receipts for 4Q09 disclosed that the overall cash receipts were down about -3.5%. This percentage was adjusted for the 1% increase to the State sales tax rate.

In addition to the examination of growth factors noted above, payments for the 4<sup>th</sup> Qtr 2009 by the top 100 accounts statewide were compared to payments for the 4<sup>th</sup> Qtr 2008. The comparison disclosed that the total overall increase/decrease for the top 100 accounts was approximately -7.0%. (Please note in computing this percentage estimates were made for 4Q09 returns awaiting final payment or processing of allocation schedules).

In summary,

1. The statewide cash receipts for 4<sup>th</sup> Qtr 2009 were down -3.5%.
2. The return payments for the top 100 accounts were down approximately -7.0%.
3. A growth factor of -5.0% had already been applied in calculating advances for the 4Q09.

Accordingly, we concluded that further adjustments to the growth factors were not warranted at this time. We will continue to monitor the statewide cash receipts every quarter to determine whether adjustments to growth factors (positive or negative) will be required for future advances and continue to keep the local jurisdictions informed.

If you have any questions you can contact us via e-mail at RAAD-East Wall Group or by calling either Sonia Calistro or Jim Kendrick at (916) 324-3000.

Sincerely,

L. D. Micheli  
Supervisor,  
Local Revenue Allocation

