



Finance Bulletin

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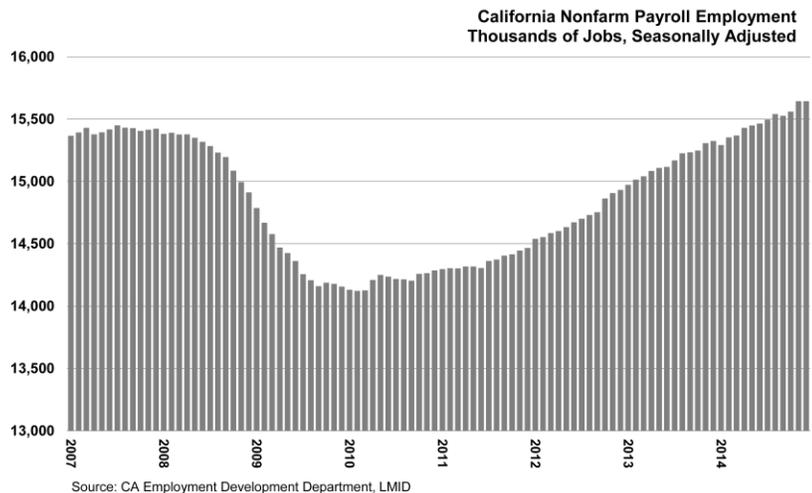
Economic Update

The U.S. and California economies continued to grow steadily in 2014. U.S. real Gross Domestic Product grew by 2.4 percent in 2014, and both the U.S. and California have now surpassed their pre-recession peak numbers of jobs. Overall consumer price inflation has been low, averaging less than 2 percent in California in 2014.

LABOR MARKET CONDITIONS

- California's unemployment rate dropped by 0.2 percentage points to 7 percent in December. The U.S. unemployment rate also dropped by 0.2 percentage points to 5.6 percent in December before rising again to 5.7 percent in January. Over 2014, the unemployment rates of California and the U.S. dropped by 1.3 and 1.1 percentage points, respectively.
- California's labor force participation rate remained at 62.5 percent in December while the U.S. labor force participation rate dropped by 0.2 percentage points to 62.7 percent. This difference between California and the nation was the smallest since March 2010.
- California gained 700 jobs in December following a strong job market report in November. Over 2014, California gained 320,300 nonfarm jobs, reaching the historic high of 15,643,900 in December.
- Over 2014, eight sectors gained jobs and three lost jobs. Sectors that gained jobs were professional and business services (110,900), educational and health services (74,200), leisure and hospitality services (55,000), trade, transportation, and utilities (42,200), construction (26,000), information services (12,900), manufacturing (2,800), and mining and logging (1,000). Sectors that lost jobs were government (3,500), other services (1,000), and financial activities (200).

California Recovered and Expanded In 2014



BUILDING ACTIVITY

- About 70,000 residential permits were issued on a seasonally adjusted annualized basis in December, with equal shares from single-family and multi-family units. In December, nonresidential construction valuation grew by 12.5 percent led by alterations and additions, and stores and hotel structures.
- For 2014 as a whole, a total of 86,000 residential permits were issued, about 4 percent more than in 2013. About 60 percent of the total permits issued were for multi-family units. Total residential and nonresidential valuation grew by 1.5 percent and 8.7 percent respectively in 2014.

REAL ESTATE

- The median sales price of an existing single-family home grew by 3.1 percent year-over-year to \$452,570 in December. Compared to 2013, the median price was up by 10 percent. Home sales in December, at a seasonally adjusted annual rate of 366,000, were down 2.9 percent from November, but up year-over-year by 0.6 percent. For 2014 as a whole, sales were down by 7.6 percent from 2013.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for January was \$527 million above the 2015-16 Governor's Budget forecast of \$12.15 billion due to the early receipt of sales tax payments. Year-to-date revenues are \$472 million above the forecasted \$60.655 billion.

- Personal income tax revenues to the General Fund were \$114 million below the month's forecast of \$10.295 billion. Withholding receipts were \$98 million below the estimate of \$5.457 billion. Other receipts were \$34 million above the forecasted level of \$5.407 billion. Refunds issued in January were \$53 million above the forecasted \$384 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in January was \$2 million below the forecast of \$184 million. Year-to-date General Fund income tax revenues are \$127 million below forecast.
- Sales and use tax receipts were \$500 million above the month's forecast of \$1.587 billion. January cash includes a portion of the final payment for fourth quarter sales, which was due on February 2. This cash overage is mainly due to timing, as cash expected in February was instead received in January. Year-to-date, the sales tax cash is \$500 million above forecast.
- Corporation tax revenues were \$126 million above the month's forecast of \$115 million. Prepayments were \$64 million above the forecast of \$218 million and other payments were \$5 million lower than the \$115 million forecast. Total refunds for the month were \$67 million lower than the forecast of \$217 million. Year-to-date revenues are \$140 million above forecast.
- Insurance tax revenues were \$1 million above the month's estimate of \$12 million. Year-to-date insurance tax revenues are \$33 million below the forecasted \$1.231 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$4 million above the \$50 million forecast. "Other" revenues were \$10 million above the month's forecast of \$96 million.

2014-15 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	JANUARY 2015				2014-15 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$10,295	\$10,181	-\$114	-1.1%	\$42,015	\$41,889	-\$127	-0.3%
Sales & Use	1,587	2,086	500	31.5%	12,719	13,220	500	3.9%
Corporation	115	241	126	109.6%	3,838	3,977	140	3.6%
Insurance	12	13	1	12.5%	1,231	1,198	-33	-2.7%
Estate	0	0	0	n/a	2	2	0	8.3%
Pooled Money Interest	2	1	-1	-36.9%	9	10	0	0.8%
Alcoholic Beverages	37	41	4	11.0%	225	217	-8	-3.5%
Tobacco	7	8	1	7.9%	51	52	1	1.3%
Vehicle License Fees	0	0	0	n/a	0	0	0	22.0%
Other	96	106	10	10.2%	565	564	-1	-0.2%
Total	\$12,150	\$12,678	\$527	4.3%	\$60,655	\$61,127	\$472	0.8%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.

Totals may not add due to rounding. The forecast is from the 2015-16 Governor's Budget