



Finance Bulletin

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Economic Update

Jobs continue to be added in both the nation and in California, albeit at a slower rate than in 2015. First quarter real personal income increased by 0.9 percent in both California and the nation, while U.S. real GDP rose a better than expected 1.1 percent.

LABOR MARKET CONDITIONS

- California's unemployment rate dropped by 0.1 percentage point to 5.2 percent in May—the lowest it has been in nine years. However, the labor force also fell by 9,700 in May, ending 30 straight months of labor force growth. In comparison, the U.S. unemployment rate fell by 0.3 percentage point to 4.7 percent in May before rising to 4.9 percent in June due to an increase of nearly half a million people in the labor force, reversing the drop in May.
- California added 15,200 nonfarm jobs in May—40 percent of the U.S. total of 38,000. In addition, California's job gain for April was revised up by 10,400 to 70,000. This brings the 2016 year-to-date monthly average job gain to 26,600, with total nonfarm jobs up 2.8 percent over the same period last year.
- Six of the state's 11 major industry sectors gained jobs in May and five lost jobs. Sectors that posted job gains were led by professional and business services (12,800) and educational and health services (12,800). Other growth sectors included financial activities (2,300), information (1,900), other services (1,600), and government (1,000). Industry sectors that lost jobs in May were leisure and hospitality (7,300), manufacturing (5,000), construction (2,800), trade, transportation, and utilities (1,500—mostly in retail trade), and mining and logging (600).

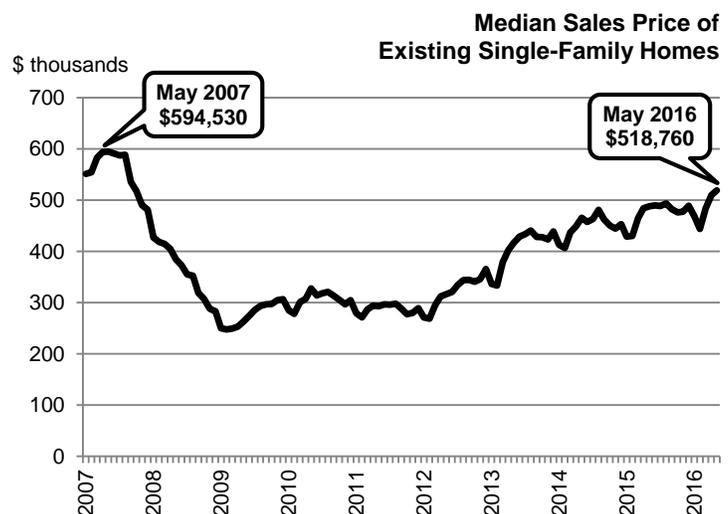
BUILDING ACTIVITY

- Residential construction permits increased by 8.7 percent in May to an annualized total of 117,000 units. After both categories added 54,000 units each in April, permits for single-family units were down 10.8 percent to 48,000, while multifamily units totaled 69,000, up 28.3 percent from April. The five-month average is now 100,000, slightly above the 12-month average of 96,000. Nonresidential construction valuation grew by 1.8 percent in May to \$28.8 billion, also slightly above the 12-month average of \$26.7 billion.

REAL ESTATE

- Sales of existing single-family homes increased 0.6 percent in May, following a 2.4-percent drop in April, to a seasonally adjusted annual rate of 410,090 units. This is slightly above the 2015 average of 407,600 units.
- After passing the half-million dollar mark in April, the statewide median price of existing single-family homes sold in May climbed to \$518,760, a 6.3-percent increase from a year ago and just 12.7 percent off the pre-recession peak of \$594,530 reached in May 2007.

California Statewide Median Home Price



Source: California Association of Realtors

MONTHLY CASH REPORT

Preliminary General Fund agency cash for June was \$788 million below the 2016-17 Budget Act forecast of \$16.854 billion. Fiscal year 2015-16 revenues are \$706 million below the forecast of \$119.934 billion. June cash receipts include the estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax revenues to the General Fund were \$898 million below the month's forecast of \$11.261 billion. Withholding receipts were \$250 million below the forecast of \$4.388 billion. Other receipts were \$563 million lower than the forecast of \$7.426 billion. Refunds issued in June were \$101 million above the forecasted \$351 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 June was \$16 million lower than the forecast of \$202 million. Fiscal year 2015-16 General Fund income tax revenues are \$520 million below forecast.
- Sales and use tax receipts were \$126 million below the month's forecast of \$2.563 billion. June cash includes the second prepayment for second quarter taxable sales, which was due June 24, and covers taxable sales activity from May 1 to June 15. Fiscal year 2015-16 sales tax revenues are \$108 million below forecast.
- Corporation tax revenues were \$157 million above the month's forecast of \$2.285 billion. Prepayments were \$227 million below the forecast of \$2.645 billion and other payments were \$133 million lower than the \$296 million forecast. Total refunds for the month were \$517 million lower than the forecast of \$655 million. Refunds expected to be paid in June were instead paid at the end of May. As a result, May refunds were higher than forecast by a similar amount. Fiscal year 2015-16 revenues are \$259 million below forecast.
- Insurance tax revenues were \$11 million below the \$126 million estimated for June. Year-to-date revenues are \$73 million above the forecast of \$2.486 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$6 million below the \$47 million that was expected. "Other" revenues were \$96 million above the month's estimate of \$571 million.

2015-16 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JUNE 2016				Fiscal Year 2015-16			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$11,261	10,364	-\$898	-8.0%	\$79,969	\$79,448	-\$520	-0.7%
Sales & Use	2,563	2,436	-126	-4.9%	25,377	25,269	-108	-0.4%
Corporation	2,285	2,442	157	6.9%	9,934	9,674	-259	-2.6%
Insurance	126	115	-11	-8.5%	2,486	2,559	73	3.0%
Estate	0	0	0	n/a	2	2	1	49.9%
Pooled Money Interest	8	6	-2	-29.3%	34	34	0	0.2%
Alcoholic Beverages	32	30	-2	-6.1%	370	369	-2	-0.5%
Tobacco	7	6	-2	-24.0%	87	85	-2	-2.2%
Vehicle License Fees	0	0	0	n/a	0	0	0	9.1%
Other	571	667	96	16.7%	1,676	1,787	111	6.6%
Total	\$16,854	\$16,066	-\$788	-4.7%	\$119,934	\$119,229	-\$706	-0.6%

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 2016-17 Budget Act.