



Finance Bulletin

Ana J. Matosantos, Director

Economic Update

Amid otherwise positive signs, 2009 ended with a disappointing loss of nonfarm jobs. Employment losses had been slowing since midyear and the state actually gained jobs in October. While still weak, both home building and existing home sales showed signs of improvement at year's end.

LABOR MARKET CONDITIONS

- California [lost 38,800 nonfarm jobs](#) in December, which was a contrast to better news in October and November when the state gained 31,100 jobs and lost only 17,600 respectively. (Source: EDD)
- Three major industry sectors added jobs in December: Education and health services added 7,500 jobs; information, 2,000; and financial activities, 1,100.
- On the other side of the ledger, trade, transportation, and utilities lost 15,300 jobs; other services, 8,100; construction, 7,500; manufacturing, 5,900; leisure and hospitality, 5,000; professional and business services, 4,700; government, 2,700; and natural resources and mining, 200.
- Nonfarm payroll employment fell by 579,400, or 3.9 percent, from December 2008 to December 2009. Only the education and health services sector gained employment over the year, adding 22,800 jobs.
- Over the year, employment fell by 127,100 in trade, transportation, and utilities; 116,100 in construction; 106,600 in manufacturing; 89,900 in professional and business services; 44,300 in government; 43,600 in leisure and hospitality; 30,500 in financial activities; 25,100 in other services; 17,500 in information; and 1,500 in natural resources and mining.
- Since the National recession began in December 2007, California has lost 1,041,300 industry jobs.
- California's unemployment rate held steady at 12.4 percent in December. The number of people unemployed in California dropped for the second consecutive month, falling to 2,254,400. This total, though, was still up 648,600 compared with December of 2008. The national unemployment rate was unchanged at 10 percent in December.

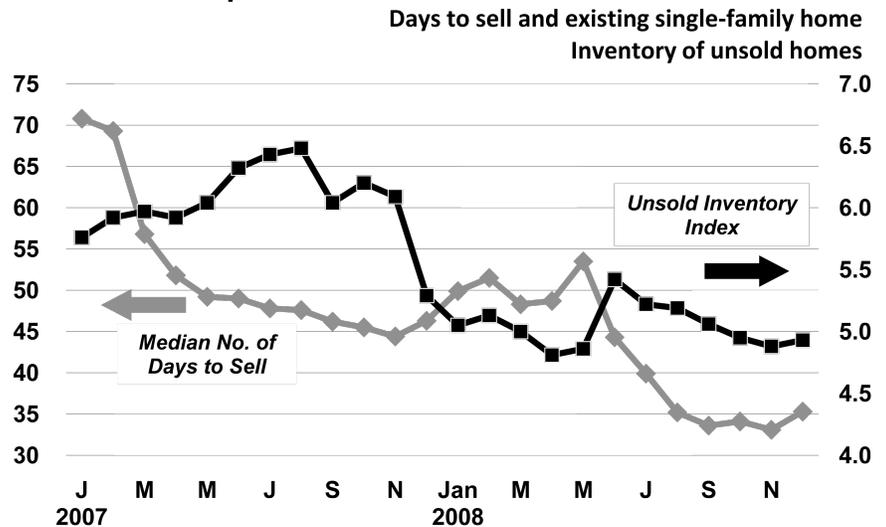
BUILDING ACTIVITY

- Single-family home building continued to improve in December, but was overshadowed by a significant slowdown in multi-family construction. Residential permits were issued at a seasonally adjusted annual rate of 39,200 units, down over 15.4 percent from a year earlier. Single-family permitting improved for the fifth consecutive month and was up 27 percent from December 2008. On the other hand, multi-family permitting slowed in December and was down 60 percent from a year earlier. New home permitting during 2009 as a whole was down 45 percent from 2008.
- Nonresidential construction permitting fell 27.6 percent in December from a year earlier. For 2009 as a whole, nonresidential permitting was down 43 percent from the same months of 2008. There were major reductions in all building categories ranging from an 80-percent drop in hotel/motel construction to a 25-percent slowdown in additions and alterations.

REAL ESTATE

- Both sales and prices of existing homes improved at the end of 2009. After slowing in November, sales of existing single-family detached homes accelerated to 558,320 units at a seasonally adjusted annualized rate [in December](#). The median price of existing single-family homes sold in December was \$306,820, up 8.4 percent from a year earlier. This is the second year-over-year increase in median home sales price.
- The unsold inventory index dropped to 3.8 months from 4.5 months in November. In contrast, the median number of days needed to sell a home rose to 35.3 days from 33.1 days in November. (Source: [California Association of Realtors](#))

Home Sales Improve

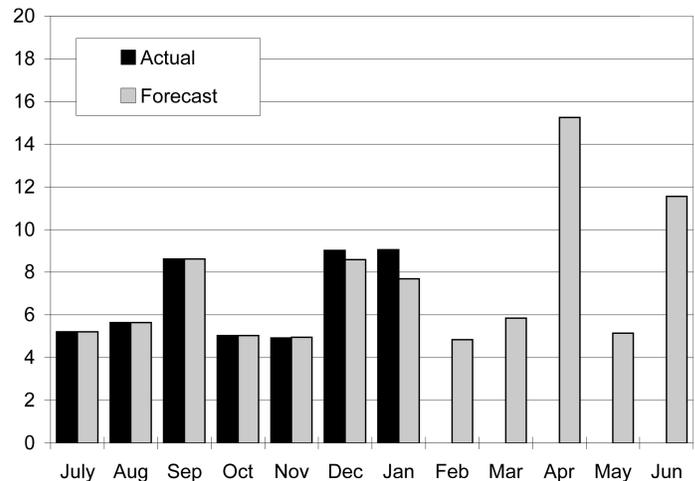


MONTHLY CASH REPORT

Preliminary General Fund agency cash for January was \$1.362 billion above the 2010-11 Governor's Budget forecast of \$7.693 billion. The variance between January and year-to-date cash results from differences between actual and estimated December revenues, as well as revisions to prior months. December cash was \$442 million higher than expected due primarily to large year-end payments. Year-to-date revenues are \$1.768 billion above forecast.

- Personal income tax revenues to the General Fund were \$737 million above the month's forecast of \$5.304 billion. The gain was attributed to estimated payments, which were \$790 million above the projected level of \$1.748 billion. It is not known at this time if the strength is due to higher-than-expected year-end non-wage income, such as capital gains, or if it will be offset in April when final returns are due. Withholding tracked the month's forecast well, coming in \$14 million above the estimate of \$3.783 billion. Other receipts were \$99 million below the forecast of \$178 million and refunds were \$45 million lower than the \$310 that was expected. 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 \$13 million above the estimate of \$95 million. December's cash was \$373 million above estimate with the strength concentrated in estimated payments; although due January 15, many taxpayers remit in December to get the federal tax deduction. Year-to-date General Fund income tax revenues are \$1.116 billion above estimate.
- Sales and use tax receipts were \$414 million above the month's forecast of \$1.837 billion. About \$240 million of this cash gain is due to prior-month collections that had been incorrectly posted to a different account. The remainder of the sales tax cash receipts that came in above forecast appears to be related to sales tax activity that was higher than expected. January's cash represents a portion of the final payment for fourth quarter 2009 sales, which was due on February 1. The remaining portion of cash receipts attributable to fourth quarter sales will be received in early February. Year-to-date, the sales tax cash is \$377 million above expectations.
- Corporation tax revenues were \$210 million above the month's estimate of \$257 million. Prepayments were \$177 million above the forecast of \$219 million and other payments were \$18 million lower than the forecast of \$148 million. Refunds were \$51 million below the projected level of \$110 million. The fourth estimated payment for calendar year corporations was due in mid-December and cash tracked the forecast well. January is not a bellwether month for this tax but the gain is encouraging. Year-to-date revenues are \$242 million above estimate.
- Total Vehicle License Fee General Fund revenues reported in January were \$14 million lower than the estimate of \$120 million. Year-to-date revenues are \$11 million below forecast.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes came in \$2 million below the \$54 million that was expected. Due to an outstanding "settle-up" balance owed to other pooled money interest account (PMIA) participants, it was estimated that the General Fund would not realize any interest earnings in January. However, \$5 million was received in January after a negative adjustment in December that was related to the "settle-up." Year-to-date, PMIA earnings are \$21 million below forecast. "Other" revenues were \$12 million above the month's estimate of \$121 million.

General Fund Agency Cash
2010-11 Governor's Budget Forecast
 (Dollars in Billions)



2009-10 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JANUARY 2010				2009-10 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,304	\$6,041	\$737	13.9%	\$23,868	\$24,984	\$1,116	4.7%
Sales & Use	1,837	2,251	414	22.5%	14,945	15,322	377	2.5%
Corporation	257	467	210	81.7%	3,826	4,068	242	6.3%
Insurance	12	10	-2	-16.7%	1,043	1,069	26	2.5%
Estate	0	1	1	n/a	2	4	2	100.0%
Pooled Money Interest	0	5	5	n/a	0	-21	-21	0.0%
Alcoholic Beverages	33	33	0	0.0%	202	200	-2	-1.0%
Tobacco	9	8	-1	-11.1%	62	59	-3	-4.8%
Vehicle License Fees	120	106	-14	-11.7%	796	785	-11	-1.4%
Other	121	133	12	9.9%	962	1,004	42	4.4%
Total	\$7,693	\$9,055	\$1,362	17.7%	\$45,706	\$47,474	\$1,768	3.9%

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 2010-11 Governor's Budget.