



FINANCE BULLETIN

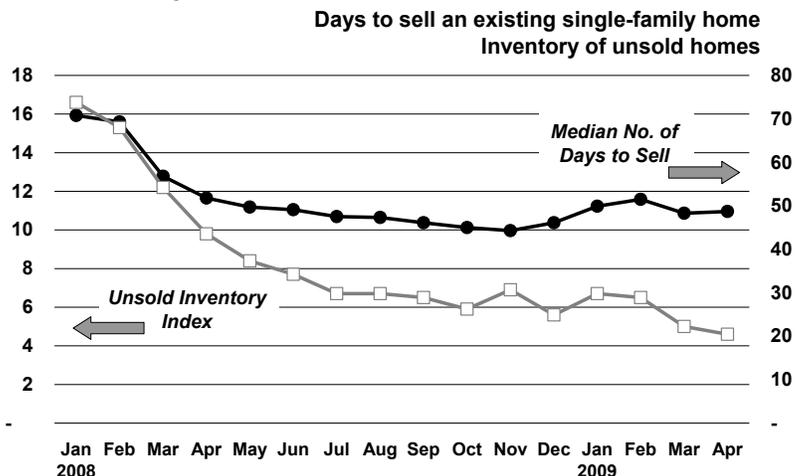
June 2009

ECONOMIC UPDATE

April and May brought mixed economic news. Broad-based job losses continued in both months, and the state's unemployment rate rose in May. But there were tentative signs of stability in residential real estate markets even though construction activity continued to disappoint in April.

- California suffered widespread employment losses of 62,800 in April and 68,900 nonfarm jobs in May.
- Only one of the state's 11 major industry sectors gained jobs in May—educational and health services, with a gain of 2,100. The largest losses were in government (14,200), construction (11,300), professional and business services (10,900) manufacturing (9,600), trade, transportation, and utilities (8,300) and information (8,100). (Federal government employment fell by 11,400 as a one-month U.S. Census survey involving about 10,000 temporary employees ended. State government employment fell by 100 and local government by 2,700.)
- From May 2008 to May 2009, nonfarm payroll employment fell by 739,500 jobs (4.9 percent) in California—a record percentage decline. Only one of the major industry sectors gained jobs over the year: again, educational and health services (23,300). The largest losses were in trade, transportation, and utilities (191,100), construction (149,200), professional and business services (126,100), and manufacturing (122,200).
- California's unemployment rate rose 0.4 percentage point to 11.5 percent in May.
- Home construction still appeared stuck at recessionary levels in April. Even though April was the third consecutive month-over-month increase in single-family construction, total residential permits were issued at a sluggish seasonally adjusted annual rate of 33,340 units, down over 54.8 percent from a year earlier. Single-family permits were down 34.7 percent, while multi-family permitting was down 72 percent.
- Nonresidential construction continued to deteriorate in April as permitting fell 48.9 percent from a year earlier. Furthermore, the value of permits issued in April was the lowest since November 1997. For the first four months of 2009 as a whole, nonresidential permitting was down 46.6 percent from the same months of 2008.
- Hopeful signs emerged for California's real estate markets. Home sales improved modestly in April and were up over 49 percent from a year earlier. Sales of existing, single-family detached homes totaled 540,360 units at a seasonally adjusted annualized rate.
- Home sales prices improved in April for the second consecutive month, putting the median price up 3.7 percent from February. March broke a string of 18 consecutive month-over-month drops. Despite the positive March-April showing, the median price of existing single-family homes sold in April—\$256,700—was down 36.5 percent from a year earlier.
- The unsold inventory index for existing homes dropped for the third consecutive month in April, falling to 4.6 months. The index stood at 9.8 months in April 2008. The median number of days needed to sell a home in April essentially held steady at 48.7 days, which was a 6-percent improvement from a year earlier.

Some Stability in Real Estate?



Source: California Association of Realtors

MONTHLY CASH REPORT

Preliminary General Fund agency cash for May was \$63 million below the 2009-10 May Revision forecast of \$5.326 billion. Year-to-date revenues, which include revisions to prior months, are \$91 million below the \$75.081 billion that was expected. Although May is a significant revenue month, June is more important, because estimated payments for personal income tax filers and calendar-year corporations are due mid-month. Nearly \$12.9 billion is forecast for June.

- Personal income tax revenues to the General Fund were \$380 million below the month's forecast of \$2.094 billion. Withholding receipts were \$170 million below the estimate of \$2.475 billion and other receipts were \$184 million under the projected level of \$629 million. Refunds issued in May were \$32 million more than the anticipated \$971 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 May was \$7 million below the estimate of \$38 million. Year-to-date General Fund income tax revenues are \$402 million below estimate.
- Sales and use tax receipts were \$205 million below the month's forecast of \$2.277 billion. May cash includes the remaining portion of the final payment for first quarter taxable sales, which was due April 30, as well as the first prepayment for second quarter sales. Year-to-date revenues are \$204 million below estimate.
- Corporation tax revenues were \$597 million above the month's estimate of \$328 million. Prepayments were \$32 million above the forecast of \$177 million and refunds were \$40 million higher than the projected level of \$110 million. Other payments came in \$605 million above the estimate of \$261 million. This is a real gain due to the 20-percent penalty on taxpayers for understating their tax liability by \$1 million or more for tax years beginning in 2003. Taxpayers were permitted to file amended returns and pay tax underpayments by May 31, 2009, to avoid the penalty. The actual revenue generated by this law change is likely to be significantly higher than the estimate of \$1,493 billion. Year-to-date corporate income tax revenues are \$593 million above forecast.
- The Vehicle License Fee (VLF) rate increased from 0.65 percent to 1.15 percent from May 19, 2009, to June 30, 2011, with the additional 0.5 percent initially going to the General Fund. Of the additional revenue collected, 0.35 percent remains in the General Fund and 0.15 percent is subsequently transferred to local law enforcement (Local Safety and Protection Account). Total VLF General Fund revenue reported in May was \$80 million lower than the estimate of \$167 million. It appears that this shortfall is due to lower-than-expected early payments for VLF billings due in June and later. May reported revenues include approximately \$25 million remitted in April, and \$1 million remitted in March. Year-to-date reported revenues are \$105 million below forecast.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$64 million above the month's forecast of \$155 million. Receipts from the insurance tax alone were \$56 million above the \$121 million expected for the month; it is expected that this gain will be offset by lower insurance tax receipts in June. Pooled money interest income was \$7 million below the estimate of \$11 million and "other" revenues were \$52 million lower than the estimate of \$294 million.

2008-09 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	MAY 2009				2008-09 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$2,094	\$1,714	-\$380	-18.1%	\$39,619	\$39,217	-\$402	-1.0%
Sales & Use	2,277	2,072	-205	-9.0%	22,854	22,650	-204	-0.9%
Corporation	328	925	597	182.0%	7,836	8,429	593	7.6%
Insurance	121	177	56	46.3%	1,754	1,829	75	4.3%
Estate	0	4	4	n/a	14	19	5	35.7%
Pooled Money Interest	11	4	-7	-63.6%	201	195	-6	-3.0%
Alcoholic Beverages	27	29	2	7.4%	301	303	2	0.7%
Tobacco	7	9	2	28.6%	95	98	3	3.2%
Vehicle License Fees	167	87	-80	-47.9%	192	87	-105	-54.7%
Other	294	242	-52	-17.7%	2,215	2,163	-52	-2.3%
Total	\$5,326	\$5,263	-\$63	-1.2%	\$75,081	\$74,990	-\$91	-0.1%

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 2009 May Revision. The forecast for "other" revenues reflects actual cash for July through April.