



# Finance Bulletin

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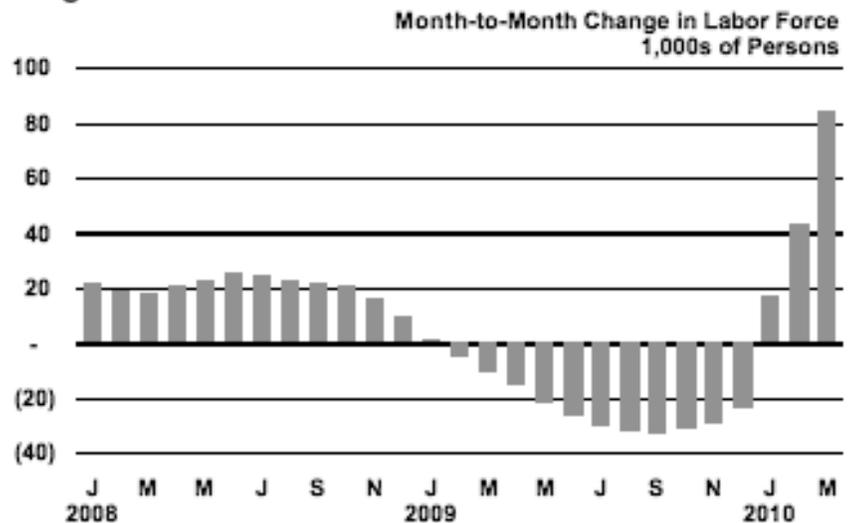
## Economic Update

A resurgent labor force is one of several signs that the economy is slowly getting back on its feet. A resumption of job growth pulled discouraged people back into the labor market. Building activity, both residential and nonresidential, appears to have stabilized and, while still at low levels, has improved modestly from the beginning of 2009.

### LABOR MARKET CONDITIONS

- California gained 4,200 nonfarm jobs in March 2010—the third consecutive month-to-month gain. (Source: EDD)
- Jobs were added to five major industry sectors: Education and health services added 6,100 jobs; Manufacturing, 4,300; Leisure and Hospitality, 1,700; Other Services, 1,100; and Natural Resources and Mining, 200.
- Five sectors lost jobs in March and one held steady: Information lost 2,600 jobs; Construction, 2,400; Professional and Business Services, 2,300; Financial Activities, 1,700; and Government, 200. Employment in Trade, Transportation, and Utilities was unchanged.
- Nonfarm payroll employment fell by 458,600 from March 2009 to March 2010. Only one sector gained jobs on a year-over-year basis: Employment rose 26,400 in Education and health services.
- Over the year, employment fell by 108,500 in Construction; 103,000 in Trade, Transportation, and Utilities; 71,400 in Manufacturing; 64,000 in Professional and Business Services; 44,600 in Government; 39,400 in Leisure and Hospitality; 28,900 in Financial Activities; 18,500 in Other Services; 3,800 in Information; and 2,900 in Natural Resources and Mining.
- Since the national recession began in December 2007, California has lost 1,338,800 industry jobs.
- The state's unemployment rate rose one-tenth of a percentage point to 12.6 percent in March because the labor force grew faster than employment. Improving labor market conditions encourage workers who had left the labor market during the recession to reenter. In March, the labor force expanded by 84,100—the largest one-month gain since March 1990—while civilian employment rose 53,600—the strongest month-over growth since April 2000.

### Resurgent Labor Force



### BUILDING ACTIVITY

- Residential permits were issued at a seasonally adjusted annual rate of 36,500 units in March; essentially the same pace posted a year earlier. Single-family permits were up 12.3 percent, while multi-family permitting was down 17.2 percent.
- Based largely on a surge of permitting in January and February, new home permitting during the first three months of 2010 was up 34.7 percent from the same months of 2009. Despite this gain, the level of building activity remains dismal, less than half the pace recorded during the 2001 recession.
- Similarly, despite three consecutive month-to-month gains through March, nonresidential building activity is still mired at disappointing levels. Nonresidential construction permitting fell 1.6 percent in March from a year earlier. For the first three months of 2010 as a whole, nonresidential permitting was down 8.1 percent from the same months of 2009.

### REAL ESTATE

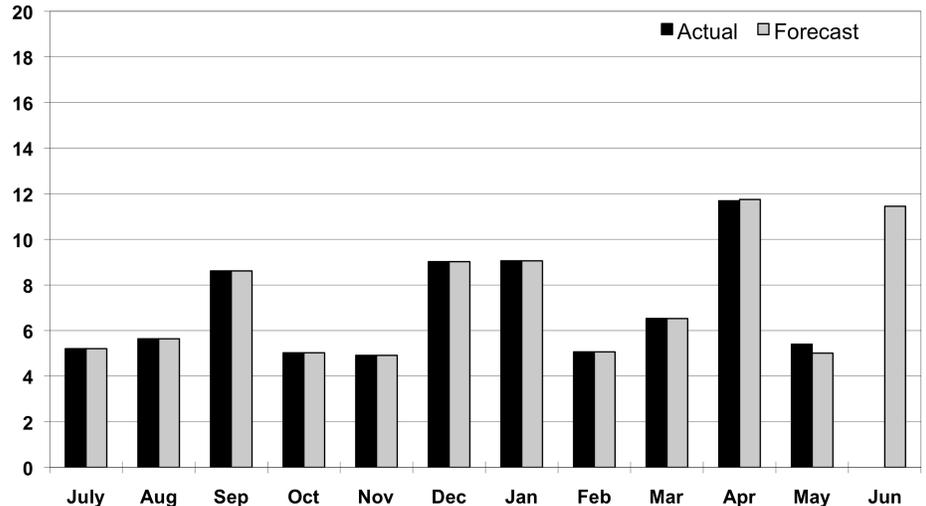
- Real estate activity has fluctuated within a relatively narrow (and restrained) range since March 2009. Sales of existing, single-family detached homes totaled 516,600 units at a seasonally adjusted annualized rate in March—up only 2.6 percent from a year earlier. The median price of existing, single-family homes sold in March was \$301,800, up 21 percent from a year earlier.
- The unsold inventory index dropped to 5 months in March. The median number of days needed to sell a home slid to 39.2 days, a 19-percent improvement from a year earlier. In 2005, the median number of days averaged 33.5 days. From 2006 through 2009, it averaged 51.2 days. (Source: [California Association of Realtors](#)).

# Monthly Cash Report

Preliminary General Fund agency cash for May was \$391 million above the 2010-11 May Revision forecast of \$5.01 billion. Year-to-date revenues, which include revisions to prior months, were \$337 million above the \$75.83 billion that was expected. Although May is a significant revenue month, June is more important because the second estimated payment of 40 percent of liability is due mid-month for personal income tax filers and calendar-year corporations. Nearly \$11.5 billion is forecast for June.

- Personal income tax revenues to the General Fund were \$418 million above the month's forecast of \$2.018 billion. Withholding receipts were \$120 million above the estimate of \$2.591 billion and other receipts were \$131 million over the projected level of \$365 million. Refunds issued in May were \$175 million below the anticipated \$902 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 \$8 million above the estimate of \$36 million. Year-to-date General Fund income tax revenues were \$424 million above estimate.
- Sales and use tax receipts were \$153 million below the month's forecast of \$2.27 billion. This shortfall is due to a negative \$170 million adjustment to prior periods that transferred money from the General Fund to other funds. Absent this adjustment, May cash would have been \$17 million above forecast. 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 were \$153 million below forecast.
- Corporation tax revenues were \$73 million above the month's estimate of \$224 million. Prepayments were \$38 million above the forecast of \$184 million and refunds were \$68 million lower than the projected level of \$114 million. Other payments came in \$33 million below the estimate of \$154 million. Year-to-date corporation tax revenues were \$77 million above forecast.
- Total Vehicle License Fee General Fund revenues reported in May were \$9 million lower than the estimate of \$121 million. Year-to-date revenues were \$7 million below forecast.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$57 million above the month's forecast of \$238 million. Insurance tax receipts alone were \$61 million above the May estimate, reflecting the later payment timing for receipts forecasted in April. Year-to-date, insurance tax receipts are \$3 million below forecast. Pooled money interest income was \$1 million below the estimate of \$3 million and "other" revenues were \$6 million higher than the forecast of \$136 million.

**GENERAL FUND AGENCY CASH  
2010-11 MAY REVISION FORECAST  
(Dollars in Billions)**



**2009-10 Comparison of Actual and Forecast Agency General Fund Revenues  
(Dollars in Millions)**

| Revenue Source        | MAY 2010       |                |              |                | 2009-10 YEAR-TO-DATE |                 |              |                |
|-----------------------|----------------|----------------|--------------|----------------|----------------------|-----------------|--------------|----------------|
|                       | Forecast       | Actual         | Change       | Percent Change | Forecast             | Actual          | Change       | Percent Change |
| Personal Income       | \$2,018        | \$2,436        | \$418        | 20.7%          | \$38,437             | \$38,861        | \$424        | 1.1%           |
| Sales & Use           | 2,270          | 2,117          | -153         | -6.7%          | 24,945               | 24,792          | -153         | -0.6%          |
| Corporation           | 224            | 297            | 73           | 32.6%          | 7,477                | 7,554           | 77           | 1.0%           |
| Insurance             | 199            | 260            | 61           | 30.7%          | 1,834                | 1,831           | -3           | -0.2%          |
| Estate                | 0              | 0              | 0            | 0.0%           | 6                    | 6               | 0            | 0.0%           |
| Pooled Money Interest | 3              | 2              | -1           | -33.3%         | 17                   | 16              | -1           | -5.9%          |
| Alcoholic Beverages   | 31             | 27             | -4           | -12.9%         | 301                  | 295             | -6           | -2.0%          |
| Tobacco               | 8              | 8              | 0            | 0.0%           | 91                   | 91              | 0            | 0.0%           |
| Vehicle License Fees  | 121            | 112            | -9           | -7.4%          | 1,267                | 1,260           | -7           | -0.6%          |
| Other                 | 136            | 142            | 6            | 4.4%           | 1,455                | 1,461           | 6            | 0.4%           |
| <b>Total</b>          | <b>\$5,010</b> | <b>\$5,401</b> | <b>\$391</b> | <b>7.8%</b>    | <b>\$75,830</b>      | <b>\$76,167</b> | <b>\$337</b> | <b>0.4%</b>    |

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 May Revision.