



Finance Bulletin

Ana J. Matosantos, Director

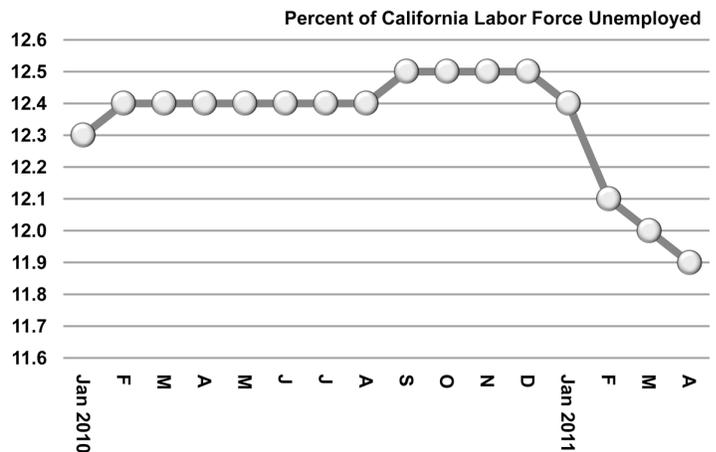
Economic Update

After getting off to a promising start, the latest economic readings on the California economy were more mixed. Yet, the overall picture was still positive. The unemployment rate improved steadily through April even though job growth faltered. New home construction in March and April, while still slow, was up from a year earlier. As has long been the case, a strong rebound in real estate is still the missing piece of a solid recovery.

LABOR MARKET CONDITIONS

- After losing 15,000 jobs in March, California made a modest gain of 8,900 nonfarm jobs in April 2011.
- Six major industry sectors added jobs in April, while five sectors lost jobs. Leisure and hospitality added 12,400 jobs; trade, transportation, and utilities, 7,800; educational and health services, 5,600; manufacturing, 3,800; other services, 1,600; and mining and logging, 200. The largest loss was in government where employment fell 11,200. This loss, though, may have been inflated due to faulty federal employment reporting. If so, a revision might be made in June. Elsewhere, professional and business services lost 5,500 jobs; construction, 2,900; financial activities, 1,600; and information, 1,300.
- California gained 144,200 nonfarm jobs (1.0 percent) from April 2010 to April 2011.
- Eight of the state's major industry sectors gained jobs over the year and three lost jobs. Employment rose 58,800 in professional and business services; 46,300 in educational and health services; 33,500 in leisure and hospitality; 31,600 in trade, transportation, and utilities; 29,200 in information; 8,600 in manufacturing; 1,400 in construction; and 800 in mining and logging. Over the year, employment fell by 59,200 in government; 4,600 in financial activities; and 2,200 in other services.
- The state's unemployment rate fell to 11.9 percent in April, which was the first time the rate dipped below 12 percent since August 2009. The rate stood at 12.5 percent at the end of 2010. Unfortunately, this improvement is mainly attributable to erosion of the labor force rather than substantial household employment growth. California's labor force participation rate declined 1.1 percent over the year ending in April 2011 and dropped 0.4 percent during the first four months of 2011 alone.

Better Unemployment Rate in 2011



BUILDING ACTIVITY

- Home building activity followed a see-saw pattern during the early months of 2011 after accelerating dramatically at the end of 2010 in anticipation of new building codes. As expected, the atypical burst of activity was followed by an unseasonal drop in January and February 2011. Permitting recovered modestly thereafter. The pace of residential permitting in March and April 2011 (43,000 units) was up over 12 percent from the same months of 2010.
- Nonresidential construction also improved modestly during the early months of 2011. For the first four months of 2011 as a whole, nonresidential permitting was up 8.6 percent from the same months of 2010, led by strong gains in industrial construction and alterations and additions.

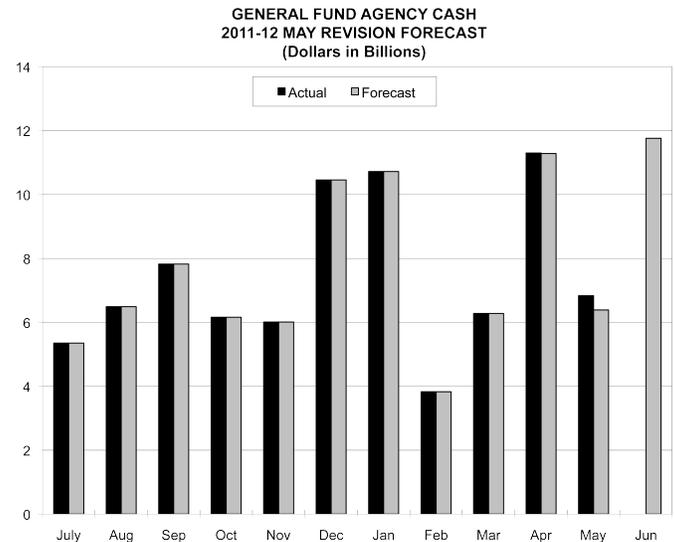
REAL ESTATE

- Existing home sales were also turbulent during the early months of 2011, displaying alternating monthly gains and losses. Nevertheless, homebuying activity fluctuated within a relatively narrow range during the first four months of 2011. Sales of existing, single-family detached homes totaled 499,800 units at a seasonally adjusted annualized rate in April—a 5-percent improvement from a year earlier, which was the strongest year-over-year gain since August 2009. The median price of existing, single-family homes sold in April was \$293,600, down 4.4 percent from a year earlier.
- For the first four months of 2011 on average, unit sales are up 1.3 percent and the median price is down 3.4 percent from the same months of 2010. (Source: California Association of Realtors)

Monthly Cash Report

Preliminary General Fund agency cash for May were \$448 million above the 2011-12 May Revision forecast of \$6.388 billion. Year-to-date revenues, which include revisions to prior months, are \$464 million above the projection of \$80.794 billion. 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 \$11.8 billion is forecast for June.

- Personal income tax revenues to the General Fund were \$14 million above the month's forecast of \$2.941 billion. Withholding receipts were \$19 million above the estimate of \$2.88 billion and other receipts were \$32 million over the projected level of \$777 million. Refunds issued in May were \$31 million above the anticipated \$669 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 \$6 million above the estimate of \$47 million. Year-to-date General Fund income tax revenues are \$10 million above estimate.
- Sales and use tax receipts were \$394 million above the month's forecast of \$2.603 billion. May cash includes the remaining portion of the final payment for first quarter taxable sales, which was due May 2 (because the last day of April fell on a Saturday), as well as the first prepayment for second quarter sales. Because the May 2 due date results in a large amount of cash being received both in the final days of April and the first days of May, this gain above forecast should be viewed as occurring over two months. The strength in the second-half May cash receipts indicate that April retail sales were above expectation, possibly benefiting from the late Easter. Year-to-date revenues are \$394 million above forecast. While April sales appear to have been stronger than forecast, the trend of economic data since the end of April suggests that this strength should not be expected to continue at the same level for the remainder of the budget period.
- Corporation tax revenues were \$10 million below the month's estimate of \$287 million. Prepayments were \$6 million below the forecast of \$225 million and other payments came in \$25 million below the estimate of \$147 million. Refunds were \$21 million lower than the projected level of \$85 million. Year-to-date corporation tax revenues are \$7 million below forecast.
- Total Vehicle License Fee General Fund revenues reported in May were \$2 million lower than the estimate of \$100 million.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$10 million above the month's forecast of \$259 million. Pooled money interest income and "other" revenues were \$42 million higher than the forecast of \$198 million.



2010-11 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	MAY 2011				Percent Change	2010-11 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$2,941	\$2,955	\$14	0.5%	\$43,965	\$43,975	\$10	0.0%	
Sales & Use	2,603	2,997	394	15.1%	24,313	24,707	394	1.6%	
Corporation	287	277	-10	-3.5%	7,486	7,479	-7	-0.1%	
Insurance	229	234	5	2.2%	1,825	1,836	11	0.6%	
Estate	0	0	0	0.0%	7	7	0	0.0%	
Pooled Money Interest	1	3	2	200.0%	26	32	6	23.1%	
Alcoholic Beverages	23	27	4	17.4%	294	304	10	3.4%	
Tobacco	7	8	1	14.3%	84	86	2	2.4%	
Vehicle License Fees	100	98	-2	-2.0%	1,265	1,263	-2	-0.2%	
Other	197	237	40	20.3%	1,529	1,569	40	2.6%	
Total	\$6,388	\$6,836	\$448	7.0%	\$80,794	\$81,258	\$464	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 2011 May Revision.